



KAI !GARIB LOCAL MUNICIPALITY
(Demarcation code NC082)

**ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

Kai !Garib Local Municipality

(Registration number NC082)

Annual Financial Statements for the year ended 30 June 2017

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Abbreviations

ASB	Accounting Standards Board
CIGFARO	Chartered Institute of Government Finance, Audit and Risk Officers
CPI	Consumer Price Index
DORA	Division of Revenue Act
DWS	Department of Water Affairs and Sanitation
DBSA	Development Bank of South Africa
EPWP	Expanded Public Works Programme
FMG	Finance Management Grant
GRAP	Generally Recognized Accounting Practice
GLCCM	General Landfill Closure Costing Model
HDF	Housing Development Fund
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
INEP	Integrated National Electrification Programme
LG SETA	Local Government Sector Education Training Programme
LSA	Long Service Awards
MEC	Member of the Executive Council
ME's	Municipal Entities
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
MLCCM	Municipal Landfill Closure Costing Model
MSIG	Municipal Systems Improvement Grant
PAYE	Pay As You Earn
PEMA	Post-employment Medical Aid Subsidy Liability
SA GAAP	South African Statements of Generally Accepted Accounting Practice
SDL	Skills Development Levy
UIF	Unemployment Insurance Fund
VAT	Value Added Taxation
WCA	Workers Compensation Administration

Relevant Legislation

Constitution of the Republic of South Africa (Act no 108 of 1996)
Municipal Finance Management Act (Act no 56 of 2003)
Division of Revenue Act
The Income Tax Act
Value Added Tax Act
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Water Services Act (Act no 108 of 1997)
Housing Act (Act no 107 of 1997)
Municipal Property Rates Act (Act no 6 of 2004)
Electricity Act (Act no 41 of 1987)
Skills Development Levies Act (Act no 9 of 1999)
Employment Equity Act (Act no 55 of 1998)
Unemployment Insurance Act (Act no 30 of 1966)
Basic Conditions of Employment Act (Act no 75 of 1997)

Kai !Garib Local Municipality

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Annual Financial Statements for the year ended 30 June 2017

General Information

Legal form of entity	South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act (Act no 117 of 1998)
Nature of business and principal activities	Kai !Garib Local Municipality is local municipality performing functions as set out in the Constitution (Act no 105 of 1996)
Vision statement	Creating an economically viable and fully developed Municipality, which enhances the standard of living of all the inhabitants/community of Kai !Garib through good governance, excellent service delivery and sustainable development
Mission statement	Provision of transparent, accountable and sustainable service delivery
Demarcation code	NC082
Grading of local authority	Low capacity municipality
Accounting Officer	Mr. J.G. Lategan (Acting)
Chief Finance Officer (CFO)	Miss. A.F. Koetzee (Acting)
Registered office	164 11th Avenue Kakamas 8870
Postal address	Private Bag X 6 Kakamas 8870
Bankers	ABSA Bank Limited Standard Bank Limited
Auditors	External: Auditor General of South Africa Internal: Internal Audit Unit
Attorneys	Wessels & Smith Attorneys Inc
Level of assurance	These annual financial statements will be audited in compliance with the applicable requirements of the Municipal Finance Management Act, No. 56 of 2003
Preparer	The annual financial statements were internally compiled by Wim Scheepers, the municipality's Budget and Reporting Manager
Telephone number	(054) 431 6300
Fax number	(054) 431 6301
Email address	admin@kaigarib.gov.za
Website	www.kaigarib.gov.za

Kai !Garib Local Municipality

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Annual Financial Statements for the year ended 30 June 2017

Members of the Municipal Council

Mayor	Cllr. M.M. Louw	
Speaker	Cllr. D.W. Fienies	
Ward councillors	Cllr. D. Jaar	ANC
	Cllr. B.B. Kordom	ANC
	Cllr. B.M. Bock	ANC
	Cllr. P.A. Thomas	ANC
	Cllr. M.A. Papier	ANC
	Cllr. V.W. Sacco	ANC
	Cllr. N.J. Snyders	ANC
	Cllr. D.W. Fienies	ANC
	Cllr. E.E. Frits	ANC
	Cllr. W.D. Klim	ANC
Proportional members	Cllr. C. Markgraaf	DA
	Cllr. J.M. de Klerk	DA
	Cllr. C.F.P. Bezuidenhout	DA
	Cllr. C. Kruger	DA
	Cllr. M.Y. Basson	DA
	Cllr. E.K. Strauss	DF
	Cllr. A.R. Smith	DF
	Cllr. M.O. Marshall	EFF
Council committees		
Executive committee		
Chairperson:	Cllr. M.M. Louw	
Members:	Cllr. W.D. Klim	
	Cllr. C. Markgraaf	
Socio-economic development committee		
Chairperson:	Cllr. E.E. Fritz	
Members:	Cllr. B.B. Kordom	
	Cllr. M.A. Papier	
	Cllr. M.O. Marshall	
	Cllr. C. Kruger	
Institutional development committee		
Chairperson:	Cllr. V.W.W. Sacco	
Members:	Cllr. B.M. Bock	
	Cllr. N.J. Snyders	
	Cllr. J.M. de Klerk	
	Cllr. E.K. Strauss	
Infrastructure development committee		
Chairperson:	Cllr. B.B. Kordom	
Members:	Cllr. E.E. Fritz	
	Cllr. P.A. Thomas	
	Cllr. A.R. Smith	
	Cllr. C.F.P. Bezuidenhout	
Municipal public account committee:		
Chairperson:	Cllr. B.M. Bock	
Members:	Cllr. V.W.W. Sacco	
	Cllr. D.R. Jaar	
	Cllr. E.K. Strauss	
	Cllr. M.Y. Basson	

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Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality and that the municipality is very reliant on grants from National Treasury. Funding will be received from National Treasury as long as the municipality comply with all legislation requirements. The collection of outstanding consumer debtor accounts and effective service delivery is also a priority of the municipality.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements, and is given unrestricted access to all financial records and related data. The annual financial statements will be audited by the municipality's external auditors and their report will be presented after the annual auditing process.

The annual financial statements set out on pages 7 to 123, which have been prepared on the going concern basis, were approved by the accounting officer and were signed by him.

Mr. J.G. Lategan (Acting)
Municipal Manager (Accounting Officer)
Kai !Garib Local Municipality
26 September 2017

Kai !Garib Local Municipality

(Registration number NC082)

Annual Financial Statements for the year ended 30 June 2017

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2017.

1. Review of activities

Main business and operations

Kai !Garib Municipality is local municipality performing functions as set out in the Constitution (Act no 105 of 1996), and operates principally in the Northern Cape province of South Africa.

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

Net deficit of the municipality was R 105,138,476 (2016: deficit R 61,481,407).

2. Going concern

We draw attention to the fact that at 30 June 2017, the municipality had accumulated surplus of R 504,173,321 and that the municipality's total assets exceed its liabilities by R 504,173,321.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting Officer's interest in contracts

The account officer has no interest in contracts awarded, either direct or indirect.

5. Accounting policies

The annual financial statements prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations of such Statements issued by the Accounting Practices Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – March 2012) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

6. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name	Nationality
Mr. J.G. Lategan (Acting)	South Africa

Kai !Garib Local Municipality

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Annual Financial Statements for the year ended 30 June 2017

Accounting Officer's Report

7. Corporate governance

General

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

The municipality confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King III Report on Corporate Governance for South Africa of September 2009. The accounting officer discuss the responsibilities of management in this respect, at Council meetings and monitor the municipality's compliance with the code on a three monthly basis.

The salient features of the municipality's adoption of the Code is outlined below:

Audit committee

The audit committee was established with effect from 1 July 2014. The chairperson of the audit committee is Mr. H.C. Ogu, who is an independent audit committee member. Other independent members of the audit committee are, Mr. N. Erasmus and Me. A. Viljoen.

Internal audit

The municipality established an internal audit unit on 1 April 2014. Since the establishment of the internal audit unit ZF Mgcawu District Municipality assists the municipality with their internal audit functions as required by legislation.

8. Bankers

The municipality's primary bank accounts are with ABSA Bank Limited and Standard Bank Limited and will continue to bank with them in the new financial year.

9. Auditors

The following auditors will continue in office for the following financial period:

- External: Auditor General of South Africa
- Internal: Internal Audit Unit

10. Public Private Partnership

In accordance with the PPP agreement, the Contractor shall open a separate account with a bank registered in the Republic of South Africa, for the purpose of administering and separate safekeeping of:

- moneys deposited as excess surpluses;
- any foreign exchange rate amounts;
- any service credits.

The municipality did not enter into any Public Private Partnership for the 2016/2017 financial year, nor does it have any existing PPP's

11. Non compliance with applicable legislation

Details of the transactions where the municipality deviated from the supply chain management regulations relating to the its procurement processes and expenditure during the 2016/17 financial year is set out in note 60

Kai !Garib Local Municipality

(Registration number NC082)

Annual Financial Statements for the year ended 30 June 2017

Accounting Officer's Report

12. Municipal jurisdiction

Kai !Garib Municipality have the following surrounding towns under its jurisdiction:

- Kakamas
- Keimoes
- Kenhardt
- Alheit
- Augrabies
- Blaauwskop
- Bloemsmond
- Cillie
- Currieskamp
- Lennertsville
- Lutzburg
- Mactaggertscamp
- Marchand
- Riemvasmaak
- Soverby
- Vredesvallei
- Eksteenskuil



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Certification of Remuneration of Councillors

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution and according to the Government Gazette 40763 dated 3 April 2017. This read with the Remuneration of Public Officer Bearers Act, Circular 14/2015 dated 27 March 2015 of SALGA and the Minister of Corporative Governance and Traditional Affairs determination in accordance with this Act.

Mr. J.G. Lategan (Acting)
Municipal Manager (Accounting Officer)
Kai !Garib Local Municipality
26 September 2017

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Chief Financial Officer's Report

1. Introduction

It gives me great pleasure to present the financial position of Kai !Garib Local Municipality as at 30 June 2017 and the results of its operations and cash flows for the year ended 30 June 2017.

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003). The standards and pronouncements that form the GRAP Reporting Framework are set out in Directive 5 issued by the ASB on 11 March 2009.

The Statement of Financial Position as at 30 June 2017 indicates a decrease in Net Assets, an increase in Current assets, Current liabilities and Non-current liabilities, and an decrease in Non-current assets

The decrease in Net Assets is ascribed primarily to the decrease in Accumulated surplus as a result of the deficit generated in the Statement of Financial Performance.

The increase in current assets is primarily as a result of the increase in the amount VAT receivable. The decrease in Non-current assets is primarily as a result of the depreciation and impairment of the municipality's old infrastructure assets during the current financial year, thus resulted in the decrease of Property, plant and equipment.

The increase in current liabilities is primarily as a result of the increase in Payables from exchange transactions. The increase in non-current liabilities is primarily as a result of the increase in Provisions and Employee benefit obligations.

2. Key financial indicators

The following percentages of expenditure categories are self-explanatory, and indicates how the funds of the municipality is applied.

	<u>Notes</u>	<u>2017</u>	<u>2016</u>
Surplus / (Deficit) before appropriations		(105,138,476)	(61,481,407)
Surplus / (Deficit) at the end of the Year		504,173,321	609,311,797
Expenditure categories as a percentage of total expenses:			
Bad debts written off	32	6.86 %	- %
Bulk purchases	33	16.30 %	19.72 %
Contracted services	34	3.73 %	5.65 %
Debt Impairment	35	6.60 %	4.72 %
Depreciation and amortisation	36	11.66 %	13.88 %
Employee related costs	37	29.04 %	35.93 %
Finance costs	38	9.15 %	4.63 %
General expenses	39	8.16 %	8.28 %
Grant expenses	40	5.01 %	4.38 %
Impairment losses	42	0.43 %	(0.01)%
Remuneration of councillors	42	1.80 %	2.19 %
Repairs and maintenance	43	1.26 %	0.60 %
Current ratio		0.29:1	0.44:1
Acid Test ratio		0.27:1	0.42:1

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Chief Financial Officer's Report

3. Operating results

Details of the operating results per segmental classification of expenditure are included in Appendix "D".

4. Reconciliation of Budget vs Actuals

4.1 Operational budget

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results per category of expenditure, together with an explanation of significant variances of more than 10% from budget, are included in Statement of Comparison of Budget and Actual Amounts.

4.2. Capital budget

Details of the results per segmental classification of capital expenditure are included in Appendix "C", together with an explanation of significant variances of more than 5% from budget, are included in Appendix "E (4)".

5. Current assets

The municipality's current assets as on 30 June 2017 amount to R 73,430,863 (2016:R 66,610,294) and is made up as follows:

	<u>Notes</u>	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	3	918,801	1,204,168
Inventories	4	4,959,485	2,962,942
Other financial assets	5	1,282,423	2,389,846
Receivables from exchange transactions	6&8	39,567,524	41,644,840
Receivables from non-exchange transactions	7&8	19,902,331	18,408,498
VAT receivable	9	6,800,299	-
Total current assets		73,430,863	66,610,294

The increase in the municipality's current assets is primarily as a result of the increase in the VAT receivable amount.

Current assets are those assets of the municipality that is due and receivable in the short-term (less than 12 months).

Refer to the indicated notes for more detail.

6. Non-current assets

The municipality's non-current assets as on 30 June 2017 amount to R 762,259,483 (2016:R 765,287,766) and is made up as follows:

	<u>Notes</u>	<u>2017</u>	<u>2016</u>
Other financial assets	5	933,956	1,603,647
Intangible assets	10	376,470	315,196
Investment property	11	1,505,000	1,417,000
Property, plant and equipment	12	759,444,057	761,951,923
Total non-current assets		762,259,483	765,287,766

The decrease in Non-current assets is primarily as a result of depreciation and impairments of Property, plant and equipment

Refer to the indicated notes, Appendix B and C for more detail.

7. Intangible assets

The municipality's Intangible assets as on 30 June 2017 amount to R 376,470 (2016:R 315,196).

These are assets which cannot physically be identified and verified and are in respect of computer software obtained by the municipality in order to be able to fulfil its duties as far as service delivery is concerned.

Refer to Note 13 and Appendix "B" for more detail.

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Annual Financial Statements for the year ended 30 June 2017

Chief Financial Officer's Report

8. Property, plant and equipment

The municipality's Property, plant and equipment assets as on 30 June 2017 amount to R 759,444,057 (2016:R 761,951,923).

Refer to Note 13 and Appendix "B, C and E (4)" for more detail.

9. Current liabilities

The municipality's current liabilities as on 30 June 2017 amount to R 251,746,504 (2016:R 152,574,560) and is made up as follows:

	Notes	2017	2016
Consumer deposits	14	1,734,907	1,666,893
Employee benefit obligation	15	614,796	572,220
Finance lease obligation	16	1,184,127	107,343
Other financial liabilities	17	6,905,550	6,366,852
Payables from exchange transactions	18	237,514,884	132,897,081
Provisions	19	3,792,240	5,192,375
Unspent conditional grants and receipts	20	-	163,544
VAT payable	21	-	5,608,252
Total current liabilities		251,746,504	152,574,560

The increase in the municipality's current liabilities is mainly due to the increase in payables from exchange transactions.

Current liabilities are those liabilities of the municipality that is due and payable in the short-term (less than 12 months).

Refer to the indicated notes for more detail.

10. Non-current liabilities

The municipality's non-current liabilities as on 30 June 2017 amount to R 79,770,521 (2016:R 70,011,706) and is made up as follows:

	Notes	2017	2016
Employee benefit obligation	15	17,802,897	18,130,794
Finance lease obligation	16	4,945,241	547,187
Other financial liabilities	17	2,050,523	3,118,642
Provisions	19	54,971,860	48,215,083
Total non-current liabilities		79,770,521	70,011,706

The increase in the municipality's current liabilities is mainly due to the increase in the provision of the rehabilitation closure cost of the municipality's landfill sites and the post employment medical aid liability.

Non-current liabilities are those liabilities of the municipality that is due and payable in the long-term (after 12 months).

Refer to the indicated notes for more detail.

11. Accumulated surplus

The municipality's accumulated surplus as on 30 June 2017 amount to R 504,173,321 (2016:R 609,311,794) and is made up as follows:

	2017	2016
Accumulated surplus	504,173,321	609,311,794
Total net assets	504,173,321	609,311,794

Refer to the Statement of Changes in Net Assets for more detail.

Kai !Garib Local Municipality

(Registration number NC082)

Annual Financial Statements for the year ended 30 June 2017

Chief Financial Officer's Report

12. Comparative figures

Some of the comparative figures as reported in the previous year's audited annual financial statements have been restated in this year's annual financial statements.

Full details of any restatements made to prior year audited figures are disclosed in and Note 57

13. Prior period errors

Where any prior period error in any calculations or valuations of an amount as disclosed in the prior year's audited annual financial statements were detected, the disclosed amount have been rectified accordingly and restated in the current year's annual financial statements.

Full details of any restatements made to prior year audited figures are disclosed in and Note 57

14. Contingent liabilities

Full details of all contingent liabilities, if any, are disclosed in Note 55.

15. Events after the reporting date

Full details of all known events, if any, after the reporting date are disclosed in Note 50.

16. Going concern assessment

Full details of management's going concern assessment are disclosed in Note 49.

17. Expression of appreciation

I am grateful to the Mayor, members of the Executive Committee, Councillors, MPAC, the Municipal Manager, and Heads of Departments for the support extended during the financial year. A special word of thanks to all staff in the Budget and Treasury Office, for without their assistance compiling these annual financial statements would not have been possible.

**Miss. A.F. Koetzee (Acting)
Chief Finance Officer (CFO)
Kai !Garib Local Municipality
26 September 2017**

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Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2017. The Audit Committee was operational throughout the year and had several engagements with management on crucial financial management, internal control, risk management and governance issues during the year. The Audit Committee acknowledges the attendance and participation of senior management including the Accounting Officer in the Audit Committee meetings.

Audit committee members and attendance

In terms section 166(4)(b) of MFMA, an audit committee must meet at least quarterly. In addition, Treasury Regulations, section 3.1.16, provides that an audit committee must meet at least annually with the Auditor-General. The audit committee met more than four times during the year in compliance with the MFMA and also met with the Auditor General. In addition, the audit committee reported to the Council two times during the year.

The names of the members of the audit committee as well as the number of meetings attended by the members are tabulated below:

Name of member	Number of meetings attended
Mr. Hyacinth Chineme Ogu (Chairperson)	5 out of 5
Mr. Nico Erasmus	5 out of 5
Ms. Adele Delpont Viljoen	5 out of 5

Audit committee responsibility

The Audit Committee reports that it has complied with its responsibilities arising from Section 166(2) of the Municipal Finance Management Act and Treasury Regulation 3.1. The Audit Committee also reports that it has adopted appropriate formal terms of reference as its Audit Committee Charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

Our review of the findings of the Internal Audit work, which was based on the risk assessments conducted in the municipality revealed certain weaknesses, which were then raised with the Management.

The following internal audit assignments were completed during the year under review:

- Directorate Planning and Development – IDP, PMS
- Office of the Municipal Manager – Risk management, Fraud, Business continuity, Fraud prevention, Performance management;
- Directorate Financial Services – Audit recovery, Salary increase, Annual financial statements, Creditors, Budget and Treasury Office, Supply chain management, CFO's Office, Asset management, Revenue;
- Directorate Corporate Services – Human Resource Development, Human Resource Management, Payroll, Labour relations, Health & safety, Administration, Archives

The following were areas of concern:

- Lack of cooperation by the Directorate of Finance in terms of provision of information and documents required for the audit and response to audit queries resulting in serious limitation of scope in the performance of the internal audit function during the year
- This matter has been with the Mayor and thereafter escalated to Council.
- The lack of cooperation by the Directorate of Finance resulted in Internal Audit not being able to fully execute all the audit activities in term of the initial approved audit plan.

We are however pleased that the cooperation from other directorates has improved significantly and action plans have been developed to address the findings of internal audit as well as recommendations of the audit committee.

MFMA In-year-monitoring reports

The municipality has been reporting monthly and quarterly to the Council and Treasury as is required by the MFMA.

Evaluation of annual financial statements

- The audit committee could not perform a proper review of the unaudited financial statements for the year ended 30 June 2017 due to the fact that incomplete financial statements were provided to us. The audit committee therefore advised management to delay the submission of the financial statements to the Auditor-General until significant improvement has been made to the quality of the financial statements. Management subsequently re-submitted the updated financial statements to the audit committee for review. The audit committee has discussed the review findings with management and has directed management to address these matters in order to improve the quality of the financial statements prior to the submission of the financial statements to the Auditor-General. The audit committee will review the audited financial statements and discuss the statements with the Auditor-General as well as the Accounting Officer in November 2017
- The audit committee will review the Auditor-General's management report and management response thereto in November 2017;
- The audit committee will review the accounting policies as well as changes in accounting policies and practices as part of the review of the audited financial statements;
- The audit committee reviewed the municipality's compliance with legal and regulatory provisions during the quarterly audit committee meetings and management has been directed to implement remedial measures where instances of non-compliance were noted;
- The audit committee will review the information on predetermined objectives to be included in the annual report as part of the review of the audited financial statements and report of the Auditor General in November 2017;
- The audit committee will review any significant adjustments resulting from the audit as part of the review of the audited financial statements;
- The audit committee will indicate its concurrence or non-concurrence with the Auditor-General's conclusion on the annual financial statement after the review of the audited financial statements.

Internal audit

Due to the serious limitation of scope caused by lack of cooperation by management during the year, internal audit could not effectively discharge its duties and as such the internal audit activity could not effectively address the risks pertinent to the municipality.

Auditor-General of South Africa

We have reviewed the municipality's implementation plan for audit issues raised in the prior year and we are not satisfied that the matters have been adequately resolved due to the following significant unresolved matters:

- Fruitless and wasteful expenditure is yet to be addressed
- Irregular expenditure continued to increase
- Lack of credible Asset management
- Revenue completeness and collections are still problematic
- Lack of effective cash management
- Inadequate compliance with legislation
- Lack of effective performance management

The audit committee met with representatives from the Office of the Auditor-General South Africa during the year to discuss issues of mutual concern and ensure that there are no unresolved issues.

C. Ogu
Chairperson of the Audit Committee

Date: _____

Kai !Garib Local Municipality

(Registration number NC082)

Annual Financial Statements for the year ended 30 June 2017

Statement of Financial Position as at 30 June 2017

Figures in Rand	Notes	2017	2016 Restated*
Assets			
Current Assets			
Cash and cash equivalents	3	918,801	1,204,168
Inventories	4	4,959,485	2,962,942
Other financial assets	5	1,282,423	2,389,846
Receivables from exchange transactions	6&8	39,567,524	41,644,840
Receivables from non-exchange transactions	7&8	19,902,331	18,408,498
VAT receivable	9	6,800,299	-
Total Current Assets		73,430,863	66,610,294
Non-Current Assets			
Other financial assets	5	933,956	1,603,647
Intangible assets	10	376,470	315,196
Investment property	11	1,505,000	1,417,000
Property, plant and equipment	12	759,444,057	761,951,923
Total Non-Current Assets		762,259,483	765,287,766
Total Assets		835,690,346	831,898,060
Liabilities			
Current Liabilities			
Consumer deposits	14	1,734,907	1,666,893
Employee benefit obligation	15	614,796	572,220
Finance lease obligation	16	1,184,127	107,343
Other financial liabilities	17	6,905,550	6,366,852
Payables from exchange transactions	18	237,514,884	132,897,081
Provisions	19	3,792,240	5,192,375
Unspent conditional grants and receipts	20	-	163,544
VAT payable	21	-	5,608,252
Total Current Liabilities		251,746,504	152,574,560
Non-Current Liabilities			
Employee benefit obligation	15	17,802,897	18,130,794
Finance lease obligation	16	4,945,241	547,187
Other financial liabilities	17	2,050,523	3,118,642
Provisions	19	54,971,860	48,215,083
Total Non-Current Liabilities		79,770,521	70,011,706
Total Liabilities		331,517,025	222,586,266
Net Assets		504,173,321	609,311,794
Accumulated surplus		504,173,321	609,311,794

The accounting policies on pages 33 to 65 and the notes on pages 66 to 123 form an integral part of the annual financial statements.

* See Note 57

Kai !Garib Local Municipality

(Registration number NC082)

Annual Financial Statements for the year ended 30 June 2017

Statement of Financial Performance for the year ended 30 June 2017

Figures in Rand	Notes	2017	2016 Restated*
Revenue			
Revenue from exchange transactions			
Agency services	22	1,377,192	1,262,730
Interest received	23	15,866,738	11,265,611
Rental of facilities and equipment	24	265,801	214,426
Service charges	25	103,423,501	96,991,664
Other income	26	1,074,038	972,349
Total revenue from exchange transactions		122,007,270	110,706,780
Revenue from non-exchange transactions			
Property rates	27	17,143,770	15,556,330
Transfer revenue			
Fines	28	57,029	117,424
Government grants & subsidies	29	88,296,421	74,290,492
Public contributions and donations	30	64,944	-
Total revenue from non-exchange transactions		105,562,164	89,964,246
Total revenue	31	227,569,434	200,671,026
Expenditure			
Bad debts written off	32	22,981,757	-
Bulk purchases	33	54,630,835	50,869,470
Contracted services	34	12,516,018	14,565,246
Debt impairment	35	22,111,070	12,168,706
Depreciation and amortisation	36	39,093,055	35,801,361
Employee related costs	37	97,331,136	92,662,392
Finance costs	38	30,684,137	11,939,867
General expenses	39	27,340,839	21,367,482
Grant expenses	40	16,808,325	11,309,796
Impairment losses	41	1,426,551	30,361
Remuneration of councillors	42	6,040,201	5,650,962
Repairs and maintenance	43	4,219,523	1,559,452
Total expenditure		335,183,447	257,925,095
Operating deficit		(107,614,013)	(57,254,069)
Actuarial gains/(losses)	15	2,438,800	(173,207)
Fair value adjustments	44	88,000	117,000
Loss on disposal of assets and liabilities		(51,263)	(4,171,131)
		2,475,537	(4,227,338)
Deficit for the year		(105,138,476)	(61,481,407)

The accounting policies on pages 33 to 65 and the notes on pages 66 to 123 form an integral part of the annual financial statements.

* See Note 57

Kai !Garib Local Municipality

(Registration number NC082)

Annual Financial Statements for the year ended 30 June 2017

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2015	670,793,201	670,793,201
Changes in net assets		
Deficit for the year	(61,481,407)	(61,481,407)
Total changes	(61,481,407)	(61,481,407)
Restated* Balance at 01 July 2016	609,311,797	609,311,797
Changes in net assets		
Deficit for the year	(105,138,476)	(105,138,476)
Total changes	(105,138,476)	(105,138,476)
Balance at 30 June 2017	504,173,321	504,173,321

The accounting policies on pages 33 to 65 and the notes on pages 66 to 123 form an integral part of the annual financial statements.

* See Note 57

Kai !Garib Local Municipality

(Registration number NC082)

Annual Financial Statements for the year ended 30 June 2017

Cash Flow Statement

Figures in Rand	Notes	2017	2016 Restated*
Cash flows from operating activities			
Receipts			
Taxation		17,143,770	15,556,330
Sale of goods and services		101,417,549	94,357,492
Grants		86,761,017	64,510,428
Interest income		15,866,738	11,265,611
		221,189,074	185,689,861
Payments			
Employee costs		(103,656,658)	(97,859,279)
Suppliers		(18,401,317)	(31,556,991)
Finance costs		(30,221,674)	(11,855,888)
		(152,279,649)	(141,272,158)
Net cash flows from operating activities	46	68,909,425	44,417,703
Cash flows from investing activities			
Purchase of property, plant and equipment	12	(82,398,965)	(44,247,033)
Proceeds from sale of property, plant and equipment	12	7,373,228	964,502
Purchase of other intangible assets	10	(228,819)	(65,393)
Proceeds from sale of financial assets		1,777,114	(382,514)
Purchase of other asset 1		(200,304)	(30,361)
Net cash flows from investing activities		(73,677,746)	(43,760,799)
Cash flows from financing activities			
Repayment of other financial liabilities		(529,421)	116,231
Finance lease payments		5,012,375	(692,740)
Net cash flows from financing activities		4,482,954	(576,509)
Net increase/(decrease) in cash and cash equivalents		(285,367)	80,395
Cash and cash equivalents at the beginning of the year		1,204,168	1,123,773
Cash and cash equivalents at the end of the year	3	918,801	1,204,168

The accounting policies on pages 33 to 65 and the notes on pages 66 to 123 form an integral part of the annual financial statements.

* See Note 57

Kai !Garib Local Municipality

(Registration number NC082)

Annual Financial Statements for the year ended 30 June 2017

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Agency services	421,500	(421,500)	-	1,377,192	1,377,192	The municipality did not provide for the revenue as the Department of Transport was supposed to have taken over the function.
Interest received	11,200,000	1,170,000	12,370,000	15,866,738	3,496,738	The municipality was conservative in providing for Interest revenue because of the bad debt that was written off during the financial year, that led to a decrease outstanding consumer debtors.
Rental of facilities and equipment	261,950	32,867	294,817	265,801	(29,016)	The municipality was conservative in providing for Rental of facilities due to the unpredictable need of the communities to use the facilities and equipment of the municipality.

Kai !Garib Local Municipality

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Annual Financial Statements for the year ended 30 June 2017

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Service charges	86,134,006	4,501,783	90,635,789	103,423,501	12,787,712	The unpredictable seasonal useage of farmers and increased farmworkers during harvest season led to the increase in billed revenue.
Other income	894,500	98,744	993,244	1,074,038	80,794	
Total revenue from exchange transactions	98,911,956	5,381,894	104,293,850	122,007,270	17,713,420	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	17,512,844	(1,100,000)	16,412,844	17,143,770	730,926	
Property rates - penalties imposed	2,200,000	623,000	2,823,000	-	(2,823,000)	The penalties imposed is reclassified as Interest received due to the nature of the transactions
Transfer revenue						
Fines	97,000	(55,079)	41,921	57,029	15,108	The municipality was conservative in budgeting for Fines to be received by the municipality
Government grants and subsidies	84,192,000	97,421	84,289,421	88,296,421	4,007,000	The municipality did not budget for the Energy Efficiency Demand Systems Management Grant (EEDSM) that was tranfered to the municipality during the financial year under review

Kai !Garib Local Municipality

(Registration number NC082)

Annual Financial Statements for the year ended 30 June 2017

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Public contributions and donations	-	-	-	64,944	64,944	The municipality did not budget for any donations to be received during the financial year under review
Total revenue from non-exchange transactions	104,001,844	(434,658)	103,567,186	105,562,164	1,994,978	
Total revenue	202,913,800	4,947,236	207,861,036	227,569,434	19,708,398	
Expenditure						
Employee related costs	(93,615,604)	(929,815)	(94,545,419)	(97,331,136)	(2,785,717)	
Remuneration of councillors	(6,037,000)	(51,086)	(6,088,086)	(6,040,201)	47,885	
Depreciation and amortisation	-	-	-	(39,093,055)	(39,093,055)	The municipality did not budget for non-cash items for the financial year under review
Impairment losses	-	-	-	(1,426,551)	(1,426,551)	The municipality did not budget for non-cash items for the financial year under review
Finance costs	-	(2,619,361)	(2,619,361)	(30,684,137)	(28,064,776)	There was a significance increase in the amount owed to Eskom and other creditors as a result of the Municipality having cash flow challenges
Debt impairment	-	-	-	(22,111,070)	(22,111,070)	The municipality did not budget for non-cash items for the financial year under review
Bad debts written off	-	-	-	(22,981,757)	(22,981,757)	The municipality did not budget for non-cash items for the financial year under review

Kai !Garib Local Municipality

(Registration number NC082)

Annual Financial Statements for the year ended 30 June 2017

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Repairs and maintenance	(2,093,500)	(213,292)	(2,306,792)	(4,219,523)	(1,912,731)	The municipality's infrastructure is aging thus resulting in high maintenance cost specifically on Water, sanitation and electricity maintenance
Bulk purchases	(55,698,300)	2,598,300	(53,100,000)	(54,630,835)	(1,530,835)	
Contracted services	(13,960,000)	1,065,926	(12,894,074)	(12,516,018)	378,056	
Transfers and Subsidies	(6,252,000)	(7,498,366)	(13,750,366)	(16,808,325)	(3,057,959)	The municipality did not budget for the expenditure relating to the support provided to its Indigent consumers and the municipality's equitable share grant received during the financial year
General Expenses	(16,881,600)	1,688,594	(15,193,006)	(27,340,839)	(12,147,833)	The general expenses increased due to the increase in routine operations as a result of savings in the cost of contracted services
Total expenditure	(194,538,004)	(5,959,100)	(200,497,104)	(335,183,447)	(134,686,343)	
Operating deficit	8,375,796	(1,011,864)	7,363,932	(107,614,013)	(114,977,945)	
Loss on disposal of assets	-	-	-	(51,263)	(51,263)	The municipality did not budget for non-cash items for the financial year under review
Fair value adjustments	-	-	-	88,000	88,000	The municipality did not budget for non-cash items for the financial year under review

Kai !Garib Local Municipality

(Registration number NC082)

Annual Financial Statements for the year ended 30 June 2017

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Actuarial gains/losses	-	-	-	2,438,800	2,438,800	The municipality did not budget for non-cash items for the financial year under review
	-	-	-	2,475,537	2,475,537	
Deficit before taxation	8,375,796	(1,011,864)	7,363,932	(105,138,476)	(112,502,408)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	8,375,796	(1,011,864)	7,363,932	(105,138,476)	(112,502,408)	

Kai !Garib Local Municipality

(Registration number NC082)

Annual Financial Statements for the year ended 30 June 2017

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Inventories	648,000	-	648,000	4,959,485	4,311,485	On year end the municipality still had pre-paid water meters on hand that still need to install as part of an Infrastructure project
Other financial assets	5,109,267	-	5,109,267	1,282,423	(3,826,844)	Bad debts was written of during the financial year that led to a decrease in ammount of Long-term debtors
Receivables from exchange transactions	30,697,383	-	30,697,383	39,567,524	8,870,141	Due to the non-payment of Consumers the ammount of outstanding debtors increase during the financial year under review
Receivables from non-exchange transactions	15,602,617	-	15,602,617	19,902,331	4,299,714	Due to the non-payment of Consumers the ammount of outstanding debtors increase during the financial year under review
VAT receivable	-	-	-	6,800,299	6,800,299	The municipality did not budget for a VAT receivable, but due to an VAT review done during the year the VAT receivable was corrected

Kai !Garib Local Municipality

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Annual Financial Statements for the year ended 30 June 2017

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Cash and cash equivalents	2,984,300	-	2,984,300	918,801	(2,065,499)	The municipality cash decreased due to the extreme cash flow challenges
	55,041,567	-	55,041,567	73,430,863	18,389,296	
Non-Current Assets						
Investment property	1,400,000	-	1,400,000	1,505,000	105,000	
Property, plant and equipment	753,235,800	26,395,000	779,630,800	759,444,057	(20,186,743)	Due to a number of assets impaired in the 2016-17 including assets that were destroyed / disposed as a result of vandalism, the status of the municipality's assets and the increase in depreciation led to the decrease in the carrying value of PPE
Intangible assets	87,000	-	87,000	376,470	289,470	
Other financial assets	5,248,730	-	5,248,730	933,956	(4,314,774)	
	759,971,530	26,395,000	786,366,530	762,259,483	(24,107,047)	
Total Assets	815,013,097	26,395,000	841,408,097	835,690,346	(5,717,751)	
Liabilities						
Current Liabilities						
Other financial liabilities	4,287,366	-	4,287,366	6,905,550	2,618,184	
Finance lease obligation	-	-	-	1,184,127	1,184,127	
Payables from exchange transactions	32,487,000	27,406,730	59,893,730	237,514,885	177,621,155	
Consumer deposits	1,620,000	-	1,620,000	1,734,907	114,907	
Employee benefit obligation	-	-	-	614,796	614,796	
Provisions	5,894,770	-	5,894,770	3,792,240	(2,102,530)	
	44,289,136	27,406,730	71,695,866	251,746,505	180,050,639	
Non-Current Liabilities						
Other financial liabilities	4,873,650	-	4,873,650	2,050,523	(2,823,127)	
Finance lease obligation	998,301	-	998,301	4,945,241	3,946,940	
Employee benefit obligation	15,980,366	-	15,980,366	17,802,897	1,822,531	
Provisions	40,287,000	-	40,287,000	54,971,860	14,684,860	

Kai !Garib Local Municipality

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Annual Financial Statements for the year ended 30 June 2017

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
	62,139,317	-	62,139,317	79,770,521	17,631,204	
Total Liabilities	106,428,453	27,406,730	133,835,183	331,517,026	197,681,843	
Net Assets	708,584,644	(1,011,730)	707,572,914	504,173,320	(203,399,594)	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	708,584,644	(1,011,730)	707,572,914	504,173,320	(203,399,594)	

Kai Igarib Local Municipality

(Registration number NC082)

Annual Financial Statements for the year ended 30 June 2017

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2017											
Financial Performance											
Property rates	24,018,845	(7,606,001)	16,412,844	-		16,412,844	17,143,770		730,926	104 %	71 %
Service charges	79,628,005	11,007,784	90,635,789	-		90,635,789	103,423,501		12,787,712	114 %	130 %
Interest received	13,400,000	1,793,129	15,193,129	-		15,193,129	15,866,738		673,609	104 %	118 %
Transfers recognised - operational	60,797,000	(2,902,579)	57,894,421	-		57,894,421	59,271,421		1,377,000	102 %	97 %
Other own revenue	1,674,950	(344,968)	1,329,982	-		1,329,982	5,581,363		4,251,381	420 %	333 %
Total revenue (excluding capital transfers and contributions)	179,518,800	1,947,365	181,466,165	-		181,466,165	201,286,793		19,820,628	111 %	112 %
Employee costs	(93,615,604)	(929,815)	(94,545,419)	-	-	(94,545,419)	(97,331,136)	2,785,717	(2,785,717)	103 %	104 %
Remuneration of councillors	(6,037,000)	(51,086)	(6,088,086)	-	-	(6,088,086)	(6,040,201)	-	47,885	99 %	100 %
Debt impairment	-	-	-	-		-	(22,111,070)	22,111,070	(22,111,070)	DIV/0 %	DIV/0 %
Depreciation and asset impairment	-	-	-	-		-	(40,519,606)	40,519,606	(40,519,606)	DIV/0 %	DIV/0 %
Finance charges	-	(2,619,361)	(2,619,361)	-	-	(2,619,361)	(30,684,137)	28,064,776	(28,064,776)	1,171 %	DIV/0 %
Materials and bulk purchases	(55,698,300)	2,598,300	(53,100,000)	-	-	(53,100,000)	(54,630,835)	1,530,835	(1,530,835)	103 %	98 %
Transfers and grants	(6,252,000)	(7,498,366)	(13,750,366)	-	-	(13,750,366)	(16,808,325)	3,057,959	(3,057,959)	122 %	269 %
Other expenditure	(32,935,100)	2,541,099	(30,394,001)	-	-	(30,394,001)	(67,389,903)	36,995,902	(36,995,902)	222 %	205 %
Total expenditure	(194,538,004)	(5,959,229)	(200,497,233)	-	-	(200,497,233)	(335,515,213)	135,065,865	(135,017,980)	167 %	172 %
Surplus/(Deficit)	(15,019,204)	(4,011,864)	(19,031,068)	-		(19,031,068)	(134,228,420)		(115,197,352)	705 %	894 %

Kai !Garib Local Municipality

(Registration number NC082)

Annual Financial Statements for the year ended 30 June 2017

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	23,395,000	3,000,000	26,395,000	-		26,395,000	29,025,000		2,630,000	110 %	124 %
Contributions recognised - capital and contributed assets	-	-	-	-		-	64,944		64,944	DIV/0 %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	8,375,796	(1,011,864)	7,363,932	-		7,363,932	(105,138,476)		(112,502,408)	(1,428)%	(1,255)%
Surplus/(Deficit) for the year	8,375,796	(1,011,864)	7,363,932	-		7,363,932	(105,138,476)		(112,502,408)	(1,428)%	(1,255)%

Kai !Garib Local Municipality

(Registration number NC082)

Annual Financial Statements for the year ended 30 June 2017

Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
2016				
Financial Performance				
Property rates				15,556,330
Service charges				96,991,664
Investment revenue				11,265,611
Transfers recognised - operational				52,996,090
Other own revenue				2,683,929
Total revenue (excluding capital transfers and contributions)				179,493,624
Employee costs	-	-	-	(92,662,392)
Remuneration of councillors	-	-	-	(5,650,962)
Debt impairment	-	-	-	(12,168,706)
Depreciation and asset impairment	-	-	-	(35,831,722)
Finance charges	-	-	-	(11,939,867)
Materials and bulk purchases	-	-	-	(50,869,470)
Transfers and grants	-	-	-	(11,309,796)
Other expenditure	-	-	-	(41,836,518)
Total expenditure	-	-	-	(262,269,433)
Surplus/(Deficit)				(82,775,809)
Transfers recognised - capital				21,294,402
Surplus (Deficit) after capital transfers and contributions				(61,481,407)
Surplus/(Deficit) for the year				(61,481,407)

Kai !Garib Local Municipality

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Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

The amounts disclosed in the audited annual financial statements are rounded-off to the nearest Rand.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Kai Igarib Local Municipality

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Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors, together with economic factors such as exchange rates, inflation and interest.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 19 - Provisions.

Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 15.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

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Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.4 Investment property (continued)

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

- Property intended for sale in the ordinary course of operations or in the process of construction or development from such sale;
- Property being constructed or developed on behalf of third parties;
- Owner occupied property, including among other things property held for future use as owner occupied property, property held for future developments and subsequent use as owner occupied property, property occupied by employees such as housing personnel (whether or not the employees pay rent at market rates) and owner occupied property awaiting disposal;
- Property that is being constructed for future use as investment property;
- Property that is leased to another entity as investment property;
- Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc; and
- Property held for strategic purposes or service delivery.

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Accounting Policies

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for land and buildings which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

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Accounting Policies

1.5 Property, plant and equipment (continued)

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The municipality has capitalised the provision for landfill rehabilitation as per GRAP 17 (Property, plant and equipment). In accordance with GRAP 17, this asset is depreciated over the estimated useful life of the landfill, as determined in the valuation of the landfill rehabilitation provision.

Depreciation only commences when the asset is ready for its intended use.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Land	Straight line	Indefinite
Buildings	Straight line	10-50 years
Plant and machinery	Straight line	2-80 years
Furniture and fixtures	Straight line	3-15 years
Motor vehicles	Straight line	3-15 years
Office equipment	Straight line	2-5 years
Computer equipment	Straight line	2-5 years
Infrastructure	Straight line	5-60 years
Community	Straight line	5-60 years
Landfill sites	Straight line	1-12 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note).

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Accounting Policies

1.5 Property, plant and equipment (continued)

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

1.6 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.7 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

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Accounting Policies

1.7 Intangible assets (continued)

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Computer software	Straight line	1-2 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.8 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

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Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.8 Heritage assets (continued)

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.9 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one municipality and a financial liability or a residual interest of another municipality.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an municipality on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an municipality's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

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Accounting Policies

1.9 Financial instruments (continued)

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an municipality shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the municipality shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another municipality; or
- a contractual right to:
 - receive cash or another financial asset from another municipality; or
 - exchange financial assets or financial liabilities with another municipality under conditions that are potentially favourable to the municipality.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another municipality; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the municipality.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an municipality in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an municipality after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unissued capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an municipality's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an municipality.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the municipality had not acquired, issued or disposed of the financial instrument.

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Accounting Policies

1.9 Financial instruments (continued)

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the municipality designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class

Cash and cash equivalents
Consumer debtors
Other financial assets

Category

Financial asset measured at amortised cost
Financial asset measured at amortised cost
Financial asset measured at fair value

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class

Consumer deposits
Finance lease obligations
Other financial liabilities (DBSA)
Trade and other payables from exchange transactions

Category

Financial liability measured at amortised cost
Financial liability measured at amortised cost
Financial liability measured at amortised cost
Financial liability measured at amortised cost

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

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Accounting Policies

1.9 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

Impairment and uncollectibility of financial assets

The municipality assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

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1.9 Financial instruments (continued)

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality :
 - derecognise the asset; and
 - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If a transfer does not result in derecognition because the municipality has retained substantially all the risks and rewards of ownership of the transferred asset, the municipality continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the municipality recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another municipality by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the municipality currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the municipality does not offset the transferred asset and the associated liability.

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1.10 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.11 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

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Accounting Policies

1.12 Construction contracts and receivables

Construction contract is a contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Contractor is an entity that performs construction work pursuant to a construction contract.

Cost plus or cost based contract is a construction contract in which the contractor is reimbursed for allowable or otherwise defined costs and, in the case of a commercially-based contract, an additional percentage of these costs or a fixed fee, if any.

Fixed price contract is a construction contract in which the contractor agrees to a fixed contract price, or a fixed rate per unit of output, which in some cases is subject to cost escalation clauses.

A contractor is an entity that enters into a contract to build structures, construct facilities, produce goods, or render services to the specifications of another entity either itself or through the use of sub-contractors. The term "contractor" thus includes a general or prime contractor, a subcontractor to a general contractor, or a construction manager.

The entity assesses the terms and conditions of each contract concluded with customers to establish whether the contract is a construction contract or not. In assessing whether the contract is a construction contract, an entity considers whether it is a contractor.

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by completion of a physical proportion of the contract work.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected deficit is recognised as an expense immediately.

1.13 Impairment of cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

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Accounting Policies

1.13 Impairment of cash-generating assets (continued)

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Accounting Policies

1.13 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.14 Impairment of non-cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

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Accounting Policies

1.14 Impairment of non-cash-generating assets (continued)

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish non-cash-generating assets from cash-generating assets are as follow: [Specify criteria]

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

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1.14 Impairment of non-cash-generating assets (continued)

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.15 Employee benefits

Employee benefits are all forms of consideration given by an municipality in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting municipality, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting municipality's own creditors (even in liquidation) and cannot be paid to the reporting municipality, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting municipality to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an municipality's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an municipality's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the municipality has indicated to other parties that it will accept certain responsibilities and as a result, the municipality has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

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Accounting Policies

1.15 Employee benefits (continued)

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality recognise the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an municipality provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Remuneration to employees is recognised in the statement of financial performance as the services are rendered, except for non-accumulating benefits which are only recognised when the specific event occurs.

The municipality has opted to treat its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a provision in the statement of financial position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

The municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post employment plans.

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1.15 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an municipality pays fixed contributions into a separate municipality (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the municipality during a reporting period, the municipality recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

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Accounting Policies

1.15 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The municipality measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

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Accounting Policies

1.15 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
 - those changes were enacted before the reporting date; or
 - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Post-retirement health care benefits

The municipality has an obligation to provide post-retirement health care benefits to certain of its retirees. According to the rules of the medical aid funds with which the municipality is associated, a member (who is on the current conditions of service), on retirement, is entitled to remain a continued member of the medical aid fund, in which case the municipality is liable for a certain portion of the medical aid membership fee. Not all medical aid funds, with which the municipality is associated, provide for continued membership.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out every year by independent qualified actuaries.

Actuarial gains or losses are accounted for using the corridor method. Actuarial gains and losses are eligible for recognition in the statement of financial performance to the extent that they exceed 10 per cent of the present value of the gross defined benefit obligations in the scheme at the end of the previous reporting period. Actuarial gains and losses exceeding 10 per cent are spread over the expected average remaining working lives of the employees participating in the scheme.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

Provincially-administered defined benefit plans

The municipality contributes to various national and provincial-administered defined benefit plans on behalf of its qualifying employees. These funds are multi-employer funds. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued triennially on the projected unit credit method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

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1.15 Employee benefits (continued)

Defined benefit pension plans

The municipality has an obligation to provide post-retirement pension benefits to certain of its retirees. Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff provident funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various pension funds. The municipality contributes monthly to the funds.

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains or losses are accounted for using the corridor method. Actuarial gains and losses are eligible for recognition in the statement of financial performance to the extent that they exceed 10 per cent of the present value of the gross defined benefit obligations in the scheme at the end of the previous reporting period. Actuarial gains and losses exceeding 10 per cent are spread over the expected average remaining working lives of the employees participating in the scheme.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

Long-service allowance

The municipality has an obligation to provide long-service allowance benefits to all of its employees. According to the rules of the long-service allowance scheme, which the municipality instituted and operates, an employee (who is on the current conditions of service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The projected unit credit method is used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

1.16 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

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1.16 Provisions and contingencies (continued)

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 55.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement.

Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, a municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it – this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the statement of financial performance as a finance cost as it occurs

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1.16 Provisions and contingencies (continued)

Transitional provision

The municipality changed its accounting policy for provisions, contingent liabilities and contingent assets in 2017. The change in accounting policy is made in accordance with its transitional provision as per Directive 2 of the GRAP Reporting Framework.

In accordance with the transitional provision as per Directive 2 of the GRAP Reporting Framework, where provisions, contingent liabilities and contingent assets was acquired through a transfer of functions, the municipality is not required to measure that provisions, contingent liabilities and contingent assets for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The municipality acquired a transfer(s) of function in 2017 and provisions, contingent liabilities and contingent assets has accordingly been recognised at provisional amounts, as disclosed in 19.

Until such time as the measurement period expires and provisions, contingent liabilities and contingent assets is recognised and measured in accordance with the requirements of the Standard of GRAP on Provisions, contingent liabilities and contingent assets, the municipality need not comply with the Standards of GRAP on:

- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Provisions, contingent liabilities and contingent assets implies that any associated presentation and disclosure requirements need not be complied with for provisions, contingent liabilities and contingent assets not measured in accordance with the requirements of the Standard of GRAP on Provisions, contingent liabilities and contingent assets.

1.17 Landfill Rehabilitation Provision

The Landfill Rehabilitation Provision is created for the rehabilitation of the current operational sites at the future estimated time of closure.

The value of the Provision is based on the expected future cost to rehabilitate the various sites discounted back to the balance sheet date at the cost of capital.

The municipality has an obligation to rehabilitate these Landfill sites. The cost of such property includes the initial estimate of the costs of rehabilitating the land and restoring the site on which it is located, the obligation for which an municipality incurs as a consequence of having used the property during a particular period for landfill purposes. The municipality estimates the useful lives and makes assumptions as to the useful lives of these assets, which influence the provision for future costs.

The asset is measured using the cost model:

- changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- if the adjustment results in an addition to the cost of an asset, the economic entity considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount, and any impairment loss is recognised in surplus or deficit.

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1.18 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.19 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by the proportion that costs incurred to date bear to the total estimated costs of the transaction.

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Accounting Policies

1.19 Revenue from exchange transactions (continued)

Interest and Investment income

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Interest earned on investments is recognised in the statement of financial performance on the time-proportionate basis that takes into account the effective yield on the investment.

Interest earned on the following investments is not recognised in the statement of financial performance:

- Interest earned on trust funds is allocated directly to the fund.
- Interest earned on unspent conditional grants is allocated directly to the creditor: unspent conditional grants, if the grant conditions indicate that interest is payable to the funder.

Service charges

Service charges are levied in terms of approved tariffs. Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property and water consumption, using the tariffs approved by council, and are levied monthly.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

Pre-paid electricity

Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale. Revenue from the sale of electricity prepaid meter cards made seven days before year-end are recognised based on an estimate of the prepaid electricity consumed as at the reporting date.

Rentals received

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement:

- The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

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1.20 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

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Accounting Policies

1.20 Revenue from non-exchange transactions (continued)

Services in-kind

The municipality recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality disclose the nature and type of services in-kind received during the reporting period.

Grants, Transfers and Donations

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

1.21 Revenue

Turnover comprises of sales to customers and service rendered to customers. Turnover is stated at the invoice amount and is exclusive of value added taxation.

1.22 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.23 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.24 Treatment of administration and other overhead expenses

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

1.25 Accounting by principals and agents

Identification

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

Identifying whether an entity is a principal or an agent

When the municipality is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether an municipality is a principal or an agent requires the municipality to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

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Accounting Policies

1.25 Accounting by principals and agents (continued)

Binding arrangement

The municipality assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent.

Assessing which entity benefits from the transactions with third parties

When the municipality in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If the municipality concludes that it is not the agent, then it is the principal in the transactions.

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Where the municipality has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that it is an agent. The municipality applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the municipality is an agent.

Recognition

The municipality, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

The municipality, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The municipality recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

1.26 Comparative figures

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.27 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

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Accounting Policies

1.28 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.29 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA states the following "*Irregular expenditure in relation to a municipality or municipal entity*, means

- (a) Expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of this Act and which has not been condoned in terms of section 170
- (b) Expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act and which has not been condoned in terms of this Act
- (c) Expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act 1998 (Act No 20 of 1998) or
- (d) Expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality's by-laws giving effect to such policy and which has not been condoned in terms of such policy or by-law

This definition excludes expenditure by a municipality which falls within the definition of "Unauthorised expenditure".

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the annual financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.30 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

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1.31 Research and development expenditure

Expenditure on research is recognised as an expense when it is incurred.

An asset arising from development is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

1.32 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the financial period from 2016/07/01 to 2017/06/30.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.33 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.34 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

Kai !Garib Local Municipality

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Accounting Policies

1.35 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1.36 Change on accounting policies estimates and errors

Changes in accounting policies that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality restated the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

The municipality identified and disclosed the impact of GRAP standards that have been issued but are not yet effective in accordance with the requirements of GRAP 3.

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Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
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2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

GRAP 108: Statutory Receivables

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: Definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality has adopted the standard for the first time when the Minister sets the effective date for the standard.

The impact of the standard is not material.

GRAP 17 (as amended 2015): Property, Plant and Equipment

Based on the feedback received as part of the post-implementation review, the Board agreed to reconsider certain principles in GRAP 16 and GRAP 17. In particular, the Board agreed to:

- Review the principles and explanations related to the distinction between investment property and property, plant and equipment.
- Consider whether an indicator-based assessment of useful lives of assets could be introduced.
- Clarify the wording related to the use of external valuers.
- Introduce more specific presentation and disclosure requirements for capital work-in-progress.
- Review the encouraged disclosures and assess whether any should be made mandatory or deleted.
- Require separate presentation of expenditure incurred on repairs and maintenance in the financial statements.

Amendments identified as part of the post-implementation review, affected the following areas:

- Indicator-based assessment of the useful lives of assets
- Use of external valuers
- Encouraged disclosures
- Capital work-in-progress
- Expenditure incurred on repairs and maintenance

The effective date of the standard is for years beginning on or after 01 April 2016.

The municipality has adopted the standard for the first time in the 2017 annual financial statements.

The impact of the standard is not material.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 16 (as amended 2015): Investment Property

Based on the feedback received as part of the post-implementation review, the Board agreed to reconsider certain principles in GRAP 16 and GRAP 17. In particular, the Board agreed to:

- Review the principles and explanations related to the distinction between investment property and property, plant and equipment.
- Consider whether an indicator-based assessment of useful lives of assets could be introduced.
- Clarify the wording related to the use of external valuers.
- Introduce more specific presentation and disclosure requirements for capital work-in-progress.
- Review the encouraged disclosures and assess whether any should be made mandatory or deleted.
- Require separate presentation of expenditure incurred on repairs and maintenance in the financial statements.

Various amendments were made to the Standard, affecting Definitions, Identification, Disclosure, Effective date and Transitional provisions.

The effective date of the standard is for years beginning on or after 01 April 2016.

The municipality has adopted the standard for the first time in the 2017 annual financial statements.

The impact of the standard is not material.

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2017 or later periods:

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

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Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
 - has control or joint control over the reporting entity;
 - has significant influence over the reporting entity;
 - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
 - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
 - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
 - both entities are joint ventures of the same third party;
 - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
 - the entity is controlled or jointly controlled by a person identified in (a); and
 - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 26 (as amended 2015): Impairment of cash-generating assets

The Board agreed to include a research project on its work programme to review GRAP 21 and GRAP 26 to assess whether the principles in these Standards could be simplified and streamlined. As part of its research project, the Board considered the following aspects which led to the proposed amendments included in this Exposure Draft:

- simplifying the approach to impairment to make it clearer when an asset is cash generating or non-cash-generating;
- assessing the feasibility of one measurement approach for non-cash-generating assets; and
- assessing the feasibility of combining the two Standards.

Summary of changes:

The changes to the Standard of GRAP on Impairment of Cash-generating Assets are outlined below:

General definitions:

The definitions of cash-generating assets and cash-generating unit have been amended to be consistent with the amendments made to clarify the objective of cash-generating assets and non-cash-generating assets below.

Cash generating assets and non-cash-generating assets:

Additional commentary has been added to clarify the objective of cash-generating assets and non-cash-generating assets.

Disclosures:

The requirement to disclose the criteria developed to distinguish cash-generating assets from non-cash-generating assets has been amended to be consistent with the amendments made to clarify the objective of non-cash-generating assets and cash-generating assets.

The effective date of the standard is for years beginning on or after 01 April 2017.

The municipality expects to adopt the standard for the first time in the 2017 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 109: Accounting by Principals and Agents

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. The Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when an entity is a principal or an agent.

It furthermore covers Definitions, Identifying whether an entity is a principal or agent, Accounting by a principal or agent, Presentation, Disclosure, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 21 (as amended 2015): Impairment of non-cash-generating assets

The Board agreed to include a research project on its work programme to review GRAP 21 and GRAP 26 to assess whether the principles in these Standards could be simplified and streamlined. As part of its research project, the Board considered the following aspects which led to the proposed amendments included in this Exposure Draft:

- simplifying the approach to impairment to make it clearer when an asset is cash generating or non-cash-generating;
- assessing the feasibility of one measurement approach for non-cash-generating assets; and
- assessing the feasibility of combining the two Standards.

Summary of changes:

The changes to the Standard of GRAP on Impairment of Non-cash-generating Assets are outlined below:

General definitions:

The definition of cash-generating assets has been amended to be consistent with the amendments made to clarify the objective of cash-generating assets and non-cash-generating assets.

Cash generating assets and non-cash-generating assets:

Additional commentary has been added to clarify the objective of cash-generating assets and non-cash-generating assets.

Identifying an asset that may be impaired:

Additional commentary has been added to clarify that physical damage triggers impairment of an asset when it results in a permanent or a significant decline in the potential of an asset.

Reversing an impairment loss:

An indicator has been added that the restoration of an asset's service potential following physical damage to the asset could indicate a reversal in an impairment loss.

Additional commentary has been added to clarify that restoration of an asset's service potential as a result of physical damage is an indication that an impairment loss recognised in prior periods may no longer exist or may have decreased.

Disclosures:

The requirement to disclose the criteria developed to distinguish non-cash-generating assets from cash-generating assets has been amended to be consistent with the amendments made to clarify the objective of non-cash-generating assets and cash-generating assets.

The effective date of the standard is for years beginning on or after 01 April 2017.

The municipality expects to adopt the standard for the first time in the 2017 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

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Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions, states that no comparative segment information need to be presented on initial adoption of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment, recognition requirements of this Standard would not apply to such items until the transitional provision in that Standard expires.

Directive 4 – Transitional provisions for medium and low capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions on the Standard of GRAP on Property, Plant and Equipment and the Standard of GRAP on Agriculture, the recognition requirements of the Standard would not apply to such items until the transitional provision in that standard expires.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

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Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
3. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Bank balances	505,887	587,576
Cash on hand	5,531	2,292
Short-term deposits	407,383	614,300
	918,801	1,204,168

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2017	30 June 2016	30 June 2015	30 June 2017	30 June 2016	30 June 2015
Current accounts						
ABSA Bank Limited: 4051 445 435	491,025	453,884	55,763	429,013	453,884	(526,905)
Standard Bank Limited: 0417 902 19	76,874	133,692	711,194	76,874	133,692	890,178
Short-term Investments						
ABSA Bank Limited: 9117 271 903	23,407	222,927	103,390	23,407	222,927	103,390
First National Bank: 6200 698 309 4	1,918	2,047	2,427	1,918	2,047	2,427
First National Bank: 6209 133 690 1	-	-	191,669	-	-	191,669
First National Bank: 6209 576 378 8	-	-	30,553	-	-	30,553
Standard Bank Limited: 0486 432 700 02	2,558	10,068	52,314	2,558	10,068	52,314
Standard Bank Limited: 0489 042 950 04	59,930	59,930	58,221	59,930	59,930	58,221
Stanlib: 1533 550 21	319,570	319,328	321,821	319,570	319,328	321,821
Total	975,282	1,201,876	1,527,352	913,270	1,201,876	1,123,668

4. Inventories

Maintenance materials	3,005,961	2,884,731
Pre-paid water meters	1,866,964	-
RDP Properties	1,340	1,463
Water	85,220	76,748
	4,959,485	2,962,942

No impairments of the values of inventory have been written off as management considers that all inventory and consumables are useable and any losses on ultimate realisation are immaterial. Periodically, physical stock counts are carried out and any obsolete and redundant items are identified and written off under Council authority.

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Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
5. Other financial assets		
Designated at fair value		
Long-term debtors	9,534,698	14,880,350
The consumers made arrangements with the municipality to pay off their long overdue rates and services accounts. The outstanding accounts will be settled interest free in equal installments over a period of 12 to 24 months.		
Old Mutual - 1166 5522	66,978	66,978
The policy (Registered in Eksteenskuil Bestuursraad) has reached the end of its term on 1 August 2003 and has been inactive since then. The maturity proceeds are not exposed to the market, thus the maturity value as at 1 August 2003 is still the same as at 30 June 2017.		
Impairments	9,601,676 (7,385,297)	14,947,328 (10,953,835)
	2,216,379	3,993,493
Non-current assets		
Designated at fair value	933,956	1,603,647
Current assets		
Designated at fair value - Long-term debtors	1,215,445	2,322,868
Designated at fair value - Old Mutual	66,978	66,978
	1,282,423	2,389,846
Impairment of Long-term debtors		
Long-term debtors with no instalment arrangements	(2,624,712)	(2,544,974)
Long-term debtors exceeding their 2 year repayment arrangements	(4,760,585)	(8,408,861)
	(7,385,297)	(10,953,835)
There are no Other financial assets pledged as security for overdraft facilities.		
6. Receivables from exchange transactions		
Consumer debtors - Electricity	16,940,913	18,423,233
Consumer debtors - Water	11,156,057	11,335,051
Consumer debtors - Waste water	5,226,737	5,108,982
Consumer debtors - Refuse	4,411,922	4,197,607
Consumer debtors - Long-term debtors	1,046,436	1,590,382
Consumer debtors - Other	785,459	989,585
	39,567,524	41,644,840
Trade and other receivables pledged as security		
There are no Consumer debtors pledged as security for overdraft facilities.		
Please refer to note 8 for the detailed consumer debtors disclosure.		
Fair value of trade and other receivables		
Trade and other receivables	39,567,524	41,644,840

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Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
6. Receivables from exchange transactions (continued)		
Trade and other receivables impaired		
As of 30 June 2017, Consumer debtors of R 115,058,108 (2016: R 112,727,832) were impaired and provided for.		
The amount of the provision was R (75,490,584) as of 30 June 2017 (2016: R (76,788,460)).		
The ageing and details of the impairment is as follows:		
Ageing of the consumer debtors impairment		
Current (0 -30 days)	(38,730)	(30,684)
31 - 60 days	(48,627)	(41,097)
61 - 90 days	(81,724)	(78,556)
91 - 120 days	(93,909)	(90,753)
121 - 365 days	(2,326,642)	(1,979,531)
> 365 days	(72,900,952)	(74,567,839)
	(75,490,584)	(76,788,460)
Details of the consumer debtors impairment		
Electricity	(19,665,472)	(16,294,633)
Water	(26,028,742)	(27,416,182)
Waste water	(10,581,169)	(10,479,680)
Refuse	(10,960,704)	(10,673,118)
Long-term debtors	(2,698,082)	(2,969,921)
Other	(5,556,415)	(8,954,926)
	(75,490,584)	(76,788,460)
The carrying amount of trade and other receivables are denominated in the following currencies:		
Rand	39,567,524	41,644,840
Reconciliation of provision for impairment of trade and other receivables		
Opening balance	(76,788,460)	(64,805,239)
Provision for impairment	(20,843,852)	(11,983,221)
Amounts written off as uncollectible	22,141,728	-
	(75,490,584)	(76,788,460)

The creation and release of provision for impaired receivables from exchange transactions have been included in operating expenses in surplus or deficit.

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Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
7. Receivables from non-exchange transactions		
Consumer debtors - Rates	19,902,331	18,192,584
Traffic fines	-	208,730
Municipal employees	-	7,184
	19,902,331	18,408,498

Receivables from non-exchange transactions pledged as security

There are no Consumer debtors pledged as security for overdraft facilities.

Please refer to note 8 for detailed consumer debtors disclosure.

Fair value of receivables from non-exchange transactions

Other receivables from non-exchange transactions	19,902,331	18,408,498
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Receivables from non-exchange transactions impaired

As of 30 June 2017, Consumer debtors of R 39,210,435 (2016: R 33,504,967) were impaired and provided for.

The amount of the provision was R (19,308,104) as of 30 June 2017 (2016: R (15,312,383)).

The ageing and details of the impairment is as follows:

Ageing of the consumer debtors impairment

Current (0 -30 days)	(86,282)	(479,688)
31 - 60 days	(47,564)	(1,003)
61 - 90 days	(52,855)	(1,666)
91 - 120 days	(100,316)	(7,060)
121 - 365 days	(1,872,961)	(2,101,201)
> 365 days	(17,148,126)	(12,721,765)
	(19,308,104)	(15,312,383)

Details of the consumer debtors impairment

Property rates	(19,308,104)	(15,312,383)
	(19,308,104)	(15,312,383)

Details of the Traffic fines impairment

Traffic fines	(19,308,104)	(15,312,383)
	(19,308,104)	(15,312,383)

The carrying amount of other receivables from non-exchange transactions are denominated in the following currencies:

Rand	19,902,331	18,408,498
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Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	(15,312,383)	(15,126,898)
Provision for impairment	(4,835,757)	(185,485)
Amounts written off as uncollectible	840,036	-
	(19,308,104)	(15,312,383)

The creation and release of provision for impaired receivables from non-exchange transactions have been included in operating expenses in surplus or deficit.

Kai !Garib Local Municipality

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Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
8. Consumer debtors disclosure		
Gross balances		
Rates	39,210,435	33,504,967
Electricity	36,606,385	34,717,866
Water	37,184,799	38,751,233
Waste water	15,807,906	15,588,662
Refuse	15,372,626	14,870,725
Long-term debtor's installments	3,744,518	4,560,303
Other	6,341,874	9,944,511
	154,268,543	151,938,267
Less: Allowance for impairment		
Rates	(19,308,104)	(15,312,383)
Electricity	(19,665,472)	(16,294,633)
Water	(26,028,742)	(27,416,182)
Waste water	(10,581,169)	(10,479,680)
Refuse	(10,960,704)	(10,673,118)
Long-term debtor's installments	(2,698,082)	(2,969,921)
Other	(5,556,415)	(8,954,926)
	(94,798,688)	(92,100,843)
Net balance		
Rates	19,902,331	18,192,584
Electricity	16,940,913	18,423,233
Water	11,156,057	11,335,051
Waste water	5,226,737	5,108,982
Refuse	4,411,922	4,197,607
Long-term debtor's installments	1,046,436	1,590,382
Other	785,459	989,585
	59,469,855	59,837,424
Included in above is receivables from exchange transactions		
Electricity	16,940,913	18,423,233
Water	11,156,057	11,335,051
Waste water	5,226,737	5,108,982
Refuse	4,411,922	4,197,607
Long-term debtor's installments	1,046,436	1,590,382
Other	785,459	989,585
	39,567,524	41,644,840
Included in above is receivables from non-exchange transactions (taxes and transfers)		
Rates	19,902,331	18,192,584
Net balance	59,469,855	59,837,424
Rates		
Current (0 -30 days)	1,725,298	3,716,020
31 - 60 days	602,739	76,857
61 - 90 days	583,952	65,794
91 - 120 days	619,879	200,503
121 - 365 days	10,671,042	11,589,268
> 365 days	25,007,524	17,856,524
Less: Allowance for impairment	(19,308,103)	(15,312,382)
	19,902,331	18,192,584

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Notes to the Annual Financial Statements

Figures in Rand	2017	2016
8. Consumer debtors disclosure (continued)		
Electricity		
Current (0 -30 days)	4,069,316	3,909,001
31 - 60 days	1,484,455	1,237,996
61 - 90 days	1,126,676	1,230,901
91 - 120 days	1,015,851	998,496
121 - 365 days	6,453,080	7,006,337
> 365 days	22,457,007	20,335,136
Less: Allowance for impairment	(19,665,472)	(16,294,634)
	16,940,913	18,423,233
Water		
Current (0 -30 days)	1,451,458	1,357,452
31 - 60 days	839,333	881,651
61 - 90 days	834,609	917,267
91 - 120 days	806,475	868,023
121 - 365 days	6,143,379	5,638,478
> 365 days	27,109,545	29,088,362
Less: Allowance for impairment	(26,028,742)	(27,416,182)
	11,156,057	11,335,051
Waste water		
Current (0 -30 days)	737,940	681,894
31 - 60 days	423,840	402,351
61 - 90 days	385,226	366,116
91 - 120 days	338,150	352,895
121 - 365 days	2,456,510	2,503,732
> 365 days	11,466,240	11,281,674
Less: Allowance for impairment	(10,581,169)	(10,479,680)
	5,226,737	5,108,982
Refuse		
Current (0 -30 days)	552,025	491,018
31 - 60 days	371,791	334,064
61 - 90 days	333,021	304,731
91 - 120 days	319,495	297,360
121 - 365 days	2,299,801	2,224,826
> 365 days	11,496,492	11,218,726
Less: Allowance for impairment	(10,960,703)	(10,673,118)
	4,411,922	4,197,607
Long-term debtor's installments		
Current (0 -30 days)	137,084	238,138
31 - 60 days	92,204	192,363
61 - 90 days	85,669	167,293
91 - 120 days	88,780	180,623
121 - 365 days	690,253	898,231
> 365 days	2,650,529	2,883,655
Less: Allowance for impairment	(2,698,083)	(2,969,921)
	1,046,436	1,590,382

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Figures in Rand	2017	2016
8. Consumer debtors disclosure (continued)		
Other		
Current (0 -30 days)	65,209	77,206
31 - 60 days	52,676	61,073
61 - 90 days	50,706	58,190
91 - 120 days	50,204	60,419
121 - 365 days	700,280	528,762
> 365 days	5,422,798	9,158,861
Less: Allowance for impairment	(5,556,414)	(8,954,926)
	785,459	989,585
Total		
Current (0 -30 days)	8,738,330	10,470,729
31 - 60 days	3,867,038	3,186,355
61 - 90 days	3,399,859	3,110,292
91 - 120 days	3,238,834	2,958,319
121 - 365 days	29,414,345	30,389,634
> 365 days	105,610,135	101,822,938
Less: Allowance for impairment	(94,798,686)	(92,100,843)
	59,469,855	59,837,424

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Figures in Rand	2017	2016
8. Consumer debtors disclosure (continued)		
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	6,962,320	7,402,575
31 - 60 days	3,384,022	2,903,255
61 - 90 days	2,963,474	2,842,955
91 - 120 days	2,788,340	2,573,169
121 - 365 days	22,480,945	23,329,402
> 365 days	91,293,484	89,870,054
	129,872,585	128,921,410
Less: Allowance for impairment	(89,465,975)	(87,866,412)
	40,406,610	41,054,998
Industrial/ commercial		
Current (0 -30 days)	1,128,517	1,439,314
31 - 60 days	208,038	81,628
61 - 90 days	159,622	65,293
91 - 120 days	151,806	179,083
121 - 365 days	2,425,478	3,068,404
> 365 days	6,473,579	4,226,233
	10,547,040	9,059,955
Less: Allowance for impairment	(1,043,626)	(851,398)
	9,503,414	8,208,557
National and provincial government		
Current (0 -30 days)	543,341	1,105,802
31 - 60 days	218,250	191,685
61 - 90 days	216,800	190,870
91 - 120 days	198,860	195,368
121 - 365 days	3,174,599	2,917,519
> 365 days	5,448,828	6,201,621
	9,800,678	10,802,865
Less: Allowance for impairment	(250,970)	(259,813)
	9,549,708	10,543,052
Other		
Current (0 -30 days)	104,152	523,037
31 - 60 days	56,728	9,786
61 - 90 days	59,963	11,174
91 - 120 days	99,829	10,699
121 - 365 days	1,333,322	1,074,309
> 365 days	2,394,246	1,525,032
	4,048,240	3,154,037
Less: Allowance for impairment	(4,038,118)	(3,123,220)
	10,122	30,817

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8. Consumer debtors disclosure (continued)		
Total		
Current (0 -30 days)	8,738,330	10,470,728
31 - 60 days	3,867,038	3,186,354
61 - 90 days	3,399,859	3,110,292
91 - 120 days	3,238,835	2,958,319
121 - 365 days	29,414,344	30,389,634
> 365 days	105,610,137	101,822,940
	154,268,543	151,938,267
Less: Allowance for impairment	(94,798,688)	(92,100,843)
	59,469,855	59,837,424
Less: Allowance for impairment		
Current (0 -30 days)	(125,012)	(510,372)
31 - 60 days	(96,191)	(42,100)
61 - 90 days	(134,579)	(80,222)
91 - 120 days	(194,225)	(97,813)
121 - 365 days	(4,199,603)	(4,080,732)
> 365 days	(90,049,078)	(87,289,604)
	(94,798,688)	(92,100,843)
Total debtor past due but not impaired		
Current (0 -30 days)	8,613,318	9,960,356
31 - 60 days	3,770,847	3,144,254
61 - 90 days	3,265,280	3,030,070
91 - 120 days	3,044,610	2,860,506
121 - 365 days	25,214,741	26,308,902
> 365 days	15,561,059	14,533,336
	59,469,855	59,837,424
Reconciliation of allowance for impairment		
Balance at beginning of the year	(92,100,843)	(79,932,138)
Contributions to allowance	(35,083,888)	(19,017,885)
Debt impairment written off against allowance	22,981,757	-
Reversal of allowance	9,404,285	6,849,180
	(94,798,689)	(92,100,843)

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9. VAT receivable

South African Revenue Services	6,800,299	-
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Only once payment is received from debtors or payments made to suppliers the VAT is paid over to or claimed from the South African Revenue Service (SARS).

VAT is payable/receivable on the cash basis.

10. Intangible assets

	2017			2016		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	607,810	(231,340)	376,470	378,991	(63,795)	315,196

Reconciliation of intangible assets - 2017

	Opening balance	Additions	Amortisation	Total
Computer software	315,196	228,819	(167,545)	376,470

Reconciliation of intangible assets - 2016

	Opening balance	Additions	Amortisation	Total
Computer software	313,598	65,393	(63,795)	315,196

Pledged as security

There are no Intangible assets pledged as security for overdraft facilities.

11. Investment property

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	1,505,000	-	1,505,000	1,417,000	-	1,417,000

Reconciliation of investment property - 2017

	Opening balance	Fair value adjustments	Total
Investment property	1,417,000	88,000	1,505,000

Reconciliation of investment property - 2016

	Opening balance	Fair value adjustments	Total
Investment property	1,300,000	117,000	1,417,000

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Figures in Rand	2017	2016
11. Investment property (continued)		
Fair value of investment properties	1,505,000	1,417,000
Pledged as security		
There are no Investment properties pledged as security for overdraft facilities.		
Details of property		
Erf 1654, Kakamas		
Title deed number T74252/198		
- Purchase price: 20 July 1987	19,830	19,830
- Fair value adjustment	485,170	450,170
	505,000	470,000
Erf 666, Keimoes		
Title deed number G16/1942		
- Fair value adjustment	250,000	227,000
Erf 667, Keimoes		
Title deed number G16/1942		
- Fair value adjustment	750,000	720,000

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Details of valuation

The effective date of the revaluations was 27 June 2017 as per valuation reports. The valuation of investment property were done to reflect the fair value of the municipality's investment properties as at 30 June 2017. Revaluations were performed by an independent valuer, Mr D van Vuuren as a Professional Associated Valuer of DDP Valuers. DDP Valuers are not connected to the municipality and have recent experience in location and category of the investment property being valued. The valuation was based on open market value for existing use.

Investment properties comprise residential and commercial properties that are rented out, as well as vacant land held for a currently undetermined use.

There are no restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal.

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Figures in Rand	2017			2016		
12. Property, plant and equipment						
	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Immovable assets						
Buildings	62,648,043	(15,240,290)	47,407,753	62,123,986	(12,292,210)	49,831,776
Community assets	25,008,278	(8,586,151)	16,422,127	25,371,030	(7,542,455)	17,828,575
Heritage assets	5	-	5	5	-	5
Infrastructure assets	763,051,765	(209,095,346)	553,956,419	726,691,970	(187,108,577)	539,583,393
Land	96,242,380	-	96,242,380	89,435,600	-	89,435,600
Landfill sites	48,894,320	(38,791,850)	10,102,470	47,080,490	(30,007,685)	17,072,805
Work-in-progress	20,295,149	-	20,295,149	36,187,257	-	36,187,257
Movable assets						
Emergency equipment	146,880	(58,849)	88,031	145,126	(32,015)	113,111
Furniture and fittings	2,253,441	(1,786,145)	467,296	2,229,554	(1,670,004)	559,550
Motor vehicles	15,495,521	(9,614,259)	5,881,262	16,514,497	(8,314,752)	8,199,745
Office equipment	4,142,475	(2,586,421)	1,556,054	3,578,612	(2,545,046)	1,033,566
Office equipment (Leased)	6,864,106	(924,273)	5,939,833	762,956	(12,542)	750,414
Other property, plant and equipment	1,952,858	(867,580)	1,085,278	1,782,735	(426,609)	1,356,126
Total	1,046,995,221	(287,551,164)	759,444,057	1,011,903,818	(249,951,895)	761,951,923

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12. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Transfers received	Transfers	Depreciation	Impairment loss	Total
Immovable assets								
Buildings	49,831,776	559,122	(30,197)	-	-	(1,726,701)	(1,226,247)	47,407,753
Community assets	17,828,575	2,603	(179,768)	9,733	-	(1,239,016)	-	16,422,127
Heritage assets	5	-	-	-	-	-	-	5
Infrastructure assets	539,583,393	44,273,470	(6,886,445)	265,937	(86,120)	(23,193,816)	-	553,956,419
Land	89,435,600	-	-	18,589,780	(11,783,000)	-	-	96,242,380
Landfill sites	17,072,805	1,813,830	-	-	-	(8,784,165)	-	10,102,470
Work-in-progress	36,187,257	28,435,118	-	-	(44,327,226)	-	-	20,295,149
Movable assets								
Emergency equipment	113,111	1,754	-	-	-	(26,834)	-	88,031
Furniture and fittings	559,550	73,934	(8,797)	-	-	(157,391)	-	467,296
Motor vehicles	8,199,745	-	(278,295)	-	-	(2,040,188)	-	5,881,262
Office equipment	1,033,566	924,452	(13,894)	-	-	(388,070)	-	1,556,054
Office equipment (Leased)	750,414	6,101,150	-	-	-	(911,731)	-	5,939,833
Other property, plant and equipment	1,356,126	213,532	(27,095)	-	-	(457,285)	-	1,085,278
	761,951,923	82,398,965	(7,424,491)	18,865,450	(56,196,346)	(38,925,197)	(1,226,247)	759,444,057

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Figures in Rand

12. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Immovable assets						
Buildings	51,543,763	-	(13,225)	-	(1,698,762)	49,831,776
Community assets	13,370,027	5,652,966	(151,169)	-	(1,043,249)	17,828,575
Heritage assets	5	-	-	-	-	5
Infrastructure assets	557,067,910	7,980,784	(400,108)	-	(25,065,193)	539,583,393
Land	88,295,600	1,140,000	-	-	-	89,435,600
Landfill sites	15,724,211	5,490,309	-	-	(4,141,715)	17,072,805
Work-in-progress	26,631,828	23,181,669	-	(13,626,240)	-	36,187,257
Movable assets						
Emergency equipment	138,351	-	-	-	(25,240)	113,111
Furniture and fittings	692,583	8,386	(1)	-	(141,418)	559,550
Motor vehicles	15,624,229	-	(4,568,634)	-	(2,855,850)	8,199,745
Office equipment	1,388,357	11,721	(2,496)	-	(364,016)	1,033,566
Office equipment (Leased)	-	762,956	-	-	(12,542)	750,414
Other property, plant and equipment	1,727,465	18,242	-	-	(389,581)	1,356,126
	772,204,329	44,247,033	(5,135,633)	(13,626,240)	(35,737,566)	761,951,923

Pledged as security

There are no Property, plant and equipment pledged as security for overdraft facilities.

All property, plant and equipment is being fully utilised by the municipality. There is therefore no idle property, plant and equipment.

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Notes to the Annual Financial Statements

Figures in Rand	2017	2016
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12. Property, plant and equipment (continued)

Depreciation rates

Land	Straight line	Indefinite
Buildings	Straight line	10-50 years
Plant and machinery	Straight line	2-80 years
Furniture and fittings	Straight line	3-15 years
Motor vehicles	Straight line	3-15 years
Office equipment	Straight line	2-5 years
Computer equipment	Straight line	2-5 years
Infrastructure assets	Straight line	5-60 years
Community assets	Straight line	5-60 years
Landfill sites	Straight line	1-12 years

Assets subject to finance lease (Net carrying amount)

Office equipment	5,939,833	750,414
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Reconciliation of Work-in-Progress 2017

	Infrastructure assets	Community assets	Total
Opening balance	34,066,147	2,101,110	36,167,257
Additions/capital expenditure	22,823,480	5,671,472	28,494,952
Transferred to completed items	(41,205,540)	(3,181,870)	(44,387,410)
	15,684,087	4,590,712	20,274,799

Reconciliation of Work-in-Progress 2016

	Infrastructure assets	Community assets	Total
Opening balance	20,611,269	6,000,559	26,611,828
Additions/capital expenditure	21,428,152	1,753,517	23,181,669
Transferred to completed items	(7,973,274)	(5,652,966)	(13,626,240)
	34,066,147	2,101,110	36,167,257

A detailed asset register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

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Figures in Rand	2017	2016
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13. Financial instruments disclosure

Categories of financial instruments

2017

Financial assets

	At fair value	At amortised cost	Total
Cash and cash equivalents	-	918,801	918,801
Other financial asset	1,282,423	-	1,282,423
	1,282,423	918,801	2,201,224

Financial liabilities

	At cost	Total
Consumer deposits	1,734,907	1,734,907
Finance lease obligation	1,184,127	1,184,127
Other financial liabilities	6,905,550	6,905,550
Trade and other payables from exchange transactions	237,514,884	237,514,884
	247,339,468	247,339,468

2016

Financial assets

	At fair value	At amortised cost	Total
Cash and cash equivalents	-	1,204,168	1,204,168
Other financial asset	2,389,846	-	2,389,846
	2,389,846	1,204,168	3,594,014

Financial liabilities

	At amortised cost	Total
Consumer deposits	1,666,893	1,666,893
Finance lease obligation	107,343	107,343
Other financial liabilities	6,366,852	6,366,852
Trade and other payables from exchange transactions	132,897,081	132,897,081
	141,038,169	141,038,169

14. Consumer deposits

Electricity	1,247,768	1,215,113
Water	487,139	451,780
	1,734,907	1,666,893

Guarantees held in lieu of electricity and water deposits

No interest is paid on deposits.

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15. Employee benefit obligations

Defined benefit plan

The plan is a post employment medical benefit plan.

The GRAP 25 Statement sets out the measurement recognition and disclosure requirements in accounting for postretirement "defined benefit" plans. It is recommended that the municipality consult with their auditors in determining the appropriate approach for reflecting the results of this valuation in their annual financial statements.

Post retirement medical aid plan

The municipality offers employees and continuation members the opportunity of belonging to one of several medical aid schemes, most of which offer a range of options pertaining to levels of cover.

Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical scheme.

In estimating the liability for post-employment health care benefits a number of assumptions are required. GRAP 25 Statement places the responsibility on management to set these assumptions as guided by the principles set out in the Statement and in discussion with the actuary.

It should be noted that the valuation method and assumptions do not affect the ultimate cost of the post-employment health care arrangement – this is determined by actual experience and by the benefits provided. The method and assumptions influence how the past service liability and future-service costs are recognised over time.

Components of Health Care Liabilities

Contribution rates tables are based only on type and number of dependants, and income. As expected health care costs (or claims) tend to increase with average age, younger (in-service) members generally subsidise older (continuation) members.

Contributions-based liability

This is the present value of all future post-retirement health care contributions expected to become payable under the employer's health care arrangements, based on the assumptions made. It may be regarded as the amount that should be set aside today to cover all expected post-retirement health care contributions (both the employer and continuation members' shares) for the current membership.

Benefits-based liability

This is the present value of all future post-retirement health care costs expected to become payable under the employer's health care arrangements, based on the assumptions made. It may be regarded as the amount that should be set aside in today's terms to cover all expected post-retirement health care benefits payable for the current membership, ignoring what contributions may be payable.

Cross-subsidy liability

This is the difference between the Benefits-based Liability and the Contributions-based Liability, as defined above. It may be regarded as the amount of money in present-day terms that is expected to flow from other members of the medical scheme(s) in question, to cover the shortfall between post-retirement benefits and contributions payable. These other members are generally in-service members of the employer, and/or of other employers participating in the medical scheme(s).

Past-service and future-service liability

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15. Employee benefit obligations (continued)

Liabilities of an employer may be split between a past-service (or accrued) element and a future-service element. This serves to recognise the manner in which the accounting standards suggest that the liabilities be accrued uniformly over an employee's period of service. The method of accrual that has been used in this valuation is based on length of service at the valuation date relative to total potential service until the expected retirement date. For example, a 40-year-old in-service member with 15 years of service and an expected retirement age of 60 has a total potential service of 35 years. In this case, assuming that the member "earns" an equal share for each year of service, the past-service liability assumed to have accrued at the valuation date, is then 15/35 of the total liability. The future service liability is the difference between the total liability and the past-service liability. The current service cost for the following year is determined as the amount assumed to accrue to the member over the next 12 months. In this example, this amounts to 1/35 of the total liability.

Given the process described above, the liability in respect of current continuation members may be regarded as fully accrued, and is therefore not split between a past-service (or accrued) and future-service element.

It should be noted that, in cases where the employer continues to pay a health care subsidy to the widow[er] and/or children of employees who die while in service, there is a liability contingent upon the death of an employee prior to retirement. This so-called Death-in-service Liability would be regarded as a post-employment liability under the requirements of GRAP 25.

Accrued liability

In defining what liability the employer should focus on for accounting purposes, a sensible starting point is the value of the employer's share of the Contributions-based Liability. This is based on the subsidy policy in question, whether it is defined via contracts of employment or established practice.

Cross-subsidy liability

The employer's share of the Cross-subsidy Liability (as defined above) may in certain circumstances be regarded as a contingent liability of the employer, for example, should the law governing medical schemes be changed in the future to allow for age-based contribution rates. This potential liability has not been evaluated as part of this exercise.

Unfunded accrued liability

This is the difference between the Accrued (or past-service) Liability and the value of any off-balance sheet assets that have been accumulated specifically by the employer to provide for its post-retirement health care liabilities.

The amounts recognised in the statement of financial position are as follows:

Carrying value

Present value of the defined benefit obligation-partly or wholly funded	(18,417,693)	(18,703,014)
Current liabilities	(614,796)	(572,220)
Non-current liabilities	(17,802,897)	(18,130,794)
	(18,417,693)	(18,703,014)

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	18,703,014	16,860,229
Net expense recognised in the statement of financial performance	(285,321)	1,842,785
	18,417,693	18,703,014

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15. Employee benefit obligations (continued)		
Net expense recognised in the statement of financial performance		
Current service cost	1,110,738	985,475
Contributions (benefits paid)	(622,459)	(790,108)
Interest cost	1,665,200	1,474,211
Actuarial (gains) losses	(2,438,800)	173,207
	(285,321)	1,842,785
Calculation of actuarial gains and losses		
Basis changes: increase in net discount rate	(2,367,845)	(54,407)
Subsidy increases higher than assumed	291,661	25,444
Changes to membership profile different from assumed	(412,855)	(40,126)
Actual benefits vesting, greater than expected	50,239	242,296
	(2,438,800)	173,207

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15. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	9.71 %	9.04 %
Health care cost inflation rate	7.99 %	8.16 %
Net effective discount rate	1.59 %	0.82 %

Key demographic assumptions used at the report date:

Average retirement age:	63 years	63 years
Benefit accrual age:	55 years	55 years
Continuation of membership at retirement:	90.00 %	90.00 %
Proportion assumed married at retirement:	95.00 %	95.00 %
Proportion of eligible current non-member employees joining the scheme by retirement:		
Mortality during employment:	SA 85-90	SA 85-90
Mortality post-retirement:	PA90-1	PA90-1
	ultimate	ultimate
Proportion married at retirement	95.00 %	95.00 %
Continuation of membership at retirement	90.00 %	90.00 %

It is difficult to predict future investment returns and health care cost inflation rates. The relationship between them is more stable and therefore easier to predict. GRAP 25 requires that financial assumptions be based on market expectations at the Valuation Date for the period over which the liability obligations are to be settled.

Discount Rate:

GRAP 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the post-employment liabilities. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve.

Consequently, a discount rate of 9.04% per annum has been used. The corresponding index-linked yield at this term is 1.77%. These rates do not reflect any adjustment for taxation. These rates were deduced from the yield curve obtained from the Bond Exchange of South Africa after the market close on 30 June 2016.

The rate is calculated by using a liability-weighted average of yields for the three components of the liability. Each component's fixed-interest and index-linked yield was taken from the bond yield curve at that component's duration, using an iterative process (because the yield depends on the liability, which in turn depends on the yield).

The two components are as follows:

Health Care Cost Inflation Rate:

This assumption is required to reflect estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs (for example, due to technological advances or changes in utilisation patterns). Any assumption regarding future medical scheme contribution increases is therefore subjective.

A health care cost inflation rate of 8.16% has been assumed. This is 1.50% in excess of expected CPI inflation over the expected term of the liability, namely 6.66%. A larger differential would be unsustainable, eventually forcing members to less expensive options. This implies a net discount rate of 0.82% which derives from $((1+9.04\%)/(1+8.16\%))-1$.

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15. Employee benefit obligations (continued)

The expected inflation assumption of 6.66% was obtained from the differential between market yields on index-linked bonds consistent with the estimated term of the liabilities (1.77%) and those of fixed interest bonds (9.04%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). This was therefore determined as follows: $((1+9.04\%-0.50\%)/(1+1.77\%))-1$.

The next contribution increase was assumed to occur with effect from 1 January 2017.

Replacement ratio:

This is the expected pension as a percentage of final salary, at retirement. This assumption is required to determine the income band at retirement of members since some contribution rate tables are income-dependent. A replacement ratio of 65% was assumed. Income bands are assumed to increase with general salary inflation and therefore an explicit salary inflation assumption is not necessary.

Defined contribution plan

It is the policy of the municipality to provide retirement benefits to all its employees [or specify number of employees covered]. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act exist for this purpose.

The municipality is under no obligation to cover any unfunded benefits.

Included in defined contribution plan information above, is the following plan(s) which is (are) a Multi-Employer Funds and is (are) a Defined Benefit Plans, but due to the fact that sufficient information is not available to enable the municipality to account for the plan(s) as a defined benefit plan(s). The municipality accounted for this (these) plan(s) as a defined contribution plan(s):

16. Finance lease obligation

Minimum lease payments due

- within one year	1,771,800	171,000
- in second to fifth year inclusive	5,881,150	669,750
	7,652,950	840,750
less: future finance charges	(1,523,582)	(186,220)
Present value of minimum lease payments	6,129,368	654,530

Present value of minimum lease payments due

- within one year	1,184,127	107,343
- in second to fifth year inclusive	4,945,241	547,187
	6,129,368	654,530

Non-current liabilities	4,945,241	547,187
Current liabilities	1,184,127	107,343
	6,129,368	654,530

The average lease term was 5 years and the average effective borrowing rate was 10.5% (2016: 10.5%).

Market risk

The carrying amounts of finance lease liabilities are denominated in the following currencies:

Rand	6,129,368	654,530
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17. Other financial liabilities		
At amortised cost		
Development Bank of Southern Africa Ltd	1,359,310	1,902,008
Loan number: 100498/1 Product number: 61000080		
The loan is secured and is being repaid over a period of 20 years in equal installments of R130,186.67 every 6 months with a fixed interest rate of 12.100% per annum.		
Redemption date: 30/06/2023.		
Development Bank of Southern Africa Ltd	6,813,162	6,296,059
Loan number: 103723/2 Product number: 61001016		
The loan is secured and is being repaid monthly over a period of 7 years in equal installments of R110,140.87 with a fixed interest rate of 6.750% per annum.		
Redemption date: 28/02/2019.		
Development Bank of Southern Africa Ltd	11,844	546,577
Loan Number: 103723/3 Product number: 61001017		
The loan is secured and is being repaid monthly over a period of 5 years in equal installments of R32,506.21 with a fixed interest rate of 6.750% per annum.		
Redemption date: 31/08/2015.		
Development Bank of Southern Africa Ltd	771,757	740,850
Loan number: 13702/101 Product number: 61003256		
The loan is secured and is being repaid over a period of 20 years in equal capital installments of R39,349.17 every 6 months with a semi-floating interest rate of 9.800% per annum.		
Redemption date: 30/06/2021.		
	8,956,073	9,485,494
Total other financial liabilities	8,956,073	9,485,494
Non-current liabilities		
At amortised cost	2,050,523	3,118,642
Current liabilities		
At amortised cost	6,905,550	6,366,852

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18. Payables from exchange transactions		
Accrual for employee bonuses	2,687,249	2,628,240
Accrual for employee leave pay	5,693,393	5,471,179
Capital projects retention fees	1,039,355	97,536
Consumer debtors with credit balances	7,301,995	9,611,221
Department of Transport, Safety and Liaison	35,963,915	25,355,188
Deposits received	256,053	229,518
Payroll creditors	(280,967)	13,939,337
Trade payables	180,879,903	76,562,227
Unallocated deposits and receipts	3,973,988	(997,365)
	237,514,884	132,897,081

Fair value of trade and other payables

Trade payables	180,879,903	76,562,227
Other	56,634,981	56,334,854
	237,514,884	132,897,081

The carrying amount of loans to and from shareholders are denominated in the following currencies:

Rand	237,514,884	132,897,081
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Figures in Rand	2017	2016
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19. Provisions

Reconciliation of provisions - 2017

	Opening Balance	Additions	Change in discount factor	Passage of time	Total
Landfill sites rehabilitation	51,493,454	-	1,813,829	3,354,047	56,661,330
Long service awards	1,742,375	188,766	-	-	1,931,141
Performance bonuses	171,629	-	-	-	171,629
	53,407,458	188,766	1,813,829	3,354,047	58,764,100

Reconciliation of provisions - 2016

	Opening Balance	Additions	Utilised during the year	Change in discount factor	Passage of time	Total
Landfill sites rehabilitation	43,644,891	-	-	5,490,309	2,358,254	51,493,454
Long service awards	1,438,915	303,460	-	-	-	1,742,375
Performance bonuses	122,850	171,629	(122,850)	-	-	171,629
	45,206,656	475,089	(122,850)	5,490,309	2,358,254	53,407,458

Non-current liabilities	54,971,860	48,215,083
Current liabilities	3,792,240	5,192,375
	58,764,100	53,407,458

Environmental rehabilitation provision

ESS has developed a General Landfill Closure Costing Model (GLCCM) to estimate the final rehabilitation and closure costs for general landfills. The GLCCM is being updated in cooperation with Jones and Wagener Consulting Civil Engineers (Pty) Ltd, a company that is actively involved in rehabilitation and closure of landfill sites. The GLCCM standardises the determination of landfill closure costs between different landfills and for the same landfill over time. The GLCCM is based on the minimum requirements for Waste Disposal by Landfill of the Department of Water Affairs (1998), as amended by more recent regulations. The GLCCM provides a reliable best possible estimate of closure costs in terms of paragraph .49 of GRAP 19 or paragraph 36 of IAS 37.

The liability calculated using the GLCCM includes costs associated with:

- Pre-closure planning and approvals (four cost elements)
- Final rehabilitation and closure (seven cost elements)
- 30 years post-closure monitoring (seven cost elements)

Adjustment of unit costs:

Unit costs for each of the cost elements are obtained annually by means of a commercial quotation. Details of this are provided separately.

CPI:

The CPI is used for determining the future value of current costs in the year when the cost is projected to be incurred. The CPI figure used in the GLCCM is based on the three-month average CPI for the quarter that includes the financial year-end date. The average of the CPI for the last quarter amounted to 5.6372%.

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19. Provisions (continued)

Discount rate:

GRAP 19 states that where the effect of the time value of money is material, the amount of the provision shall be the present value of the expenditures expected to be required to settle the obligation. In view of the long operational life of landfills, the time value of money is considered material. GRAP 19 prescribes that the discount rate shall be the pre-tax rate that reflects current market assessments of the time value of money, and the risks specific to the liability. Normally corporate bond rates are used to determine the discount rate. In line with GRAP 25 Defined benefit plans, government bond rates may also be used to determine the discount rate. The liability for this purpose is in most cases determined for a government entity (municipality). Therefore, government bond rates are considered a more appropriate indicator of the risk associated with the entity than corporate bond rates to determine the discount rate. The government bond rate most consistent with the estimated term of the liability should be used. As inflation-linked RSA retail bond rates have longer terms than fixed RSA retail bond rates, inflation-linked rates are used.

The rate most consistent with the remaining life of the landfills published at the end of the quarter that includes the financial year-end date was used.

- For landfills with an expected remaining life of three years or less, the rate associated with a maximum period of 3 years is used.
- For landfills with an expected remaining life of four of five years, the rate associated with a maximum period of 5 years is used.
- For landfills with an expected remaining life of more than five years, the rate associated with a maximum period of 10 years is used.

Key financial assumptions used

	For Marchand and Lennertsville landfills	For Kakamas, Keimoes, Kenhardt and Currieskamp landfills
CPI	5.6372 %	5.6372 %
Discount rate	8.6372 %	8.1372 %
Net effective discount rate	3.0 %	2.5 %

Long Service Award Provision

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a long service award is payable after 10 years of continuous service and every 5 years thereafter, until 45 years of service (inclusive), to employees. Furthermore a retirement gift is payable on retirement to employees with 10 years or more service. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

Performance bonus

The municipality's Council took a resolution within the previous financial year to award the directors of the municipality with performance bonuses.

The provided performance bonuses are not been paid to the directors of the municipality yet, and no new resolutions to award the directors with performance bonuses for the year under review has been taken, nor to reverse the previous year's provision.

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20. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Municipal Infrastructure Grant (MIG)	-	852
Keimoes Camping and Caravan Park	-	162,692
	-	163,544
Movement during the year		
Balance at the beginning of the year	163,544	6,168,946
Additions during the year	33,509,421	26,642,402
Income recognition during the year	(33,672,965)	(32,647,804)
	-	163,544
The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and		
Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.		
See note 29 for reconciliation of grants from National/Provincial Government.		
These amounts are invested in a ring-fenced investment until utilised.		
21. VAT payable		
South African Revenue Service	-	5,608,252
Only once payment is received from debtors or payments made to suppliers the VAT is paid over to or claimed from SARS.		
VAT is payable/receivable on the cash basis.		
22. Agency services		
Motor vehicle licence renewals	1,377,192	1,262,730
23. Investment revenue		
Interest revenue		
Other financial assets	240,746	200,756
Interest charged on trade and other receivables	15,625,992	11,064,855
	15,866,738	11,265,611
The amount included in Investment revenue arising from exchange transactions amounted to R 240,746.		
The amount included in Investment revenue arising from non-exchange transactions amounted to R 15,625,992.		
24. Rental of facilities and equipment		
Facilities owned by the Municipality		
Premises	265,801	214,426

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Figures in Rand	2017	2016
25. Service charges		
Sale of electricity	72,300,621	69,423,986
Sale of water	15,422,511	14,016,879
Sewerage and sanitation charges	9,125,281	7,993,740
Refuse removal	6,575,088	5,557,059
	103,423,501	96,991,664
26. Other income		
Administration income	2,203	38,811
Buildingplan fees	40,310	44,687
Cemetery fees	30,131	21,214
Clearance certificates	98,536	63,432
Commission: Policies and other	175,253	132,133
Connection fees	141,832	227,264
Driver and vehicle permits	42,193	34,116
Driver licences	125,902	120,547
Learner licences	62,958	45,747
Number plate applications	7,150	4,923
Photocopies	5,664	5,870
Posters and banners	170	-
Property border exceeding's	43,195	42,388
Re-connection fees	20,525	34,097
Resort entrance fees	66,701	-
Rezoning applications	5,288	17,054
Sewer blockages	2,567	-
Tender fees	50,877	2,237
Testing of installations - Meters	4,174	4,557
Traffic documents	30,918	33,613
Traffic escorts	2,561	2,060
Valuation certificates	4,367	5,397
Vehicle registrations	103,450	76,883
Sundry income	7,113	15,319
	1,074,038	972,349
27. Property rates		
Rates received		
All properties within the municipality's jurisdiction	19,353,741	19,959,253
Less: Rebates	(2,209,971)	(4,402,923)
	17,143,770	15,556,330
Valuations		
Residential	1,110,268,200	1,110,268,200
Commercial	70,944,000	70,944,000
State	166,008,000	166,008,000
Municipal	10,734,000	10,734,000
Small holdings and farms	5,207,582,655	5,207,582,655
Exempted valuations	185,886,000	185,886,000
	6,751,422,855	6,751,422,855

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Figures in Rand	2017	2016
28. Fines		
Traffic fines	-	56,650
General	54,250	58,733
Library	2,779	2,041
	57,029	117,424

29. Government grants and subsidies

Operating grants

Equitable share	54,787,000	47,648,090
Local Government Finance Management Grant (FMG)	2,010,000	1,875,000
Municipal Systems Improvement Grant (MSIG)	-	930,000
Department of Sports, Arts and Culture - Library	1,377,000	1,354,000
Subsidy - Training Costs	97,421	-
Expanded Public Works Programme (EPWP)	1,000,000	1,189,000
	59,271,421	52,996,090

Capital grants

Energy Efficiency Demand Systems Management Grant (EEDSM)	3,000,000	-
Integrated National Electrification Programme (INEP)	2,000,000	1,500,000
Keimoes Camping and Caravan Park	-	246,824
Municipal Infrastructure Grant (MIG)	23,895,000	19,547,578
Department of Economic Development and Tourism	130,000	-
	29,025,000	21,294,402
	88,296,421	74,290,492

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	33,509,421	26,642,402
Unconditional grants received	54,787,000	47,648,090
	88,296,421	74,290,492

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a monthly subsidy of R 419 (2016: R 359), which is funded from the grant.

Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	852	5,759,430
Current-year receipts	23,895,000	13,789,000
Conditions met - transferred to revenue	(23,895,852)	(14,857,578)
Unspent 2012 - 2014 withheld from equitable share	-	(4,690,000)
	-	852

Conditions still to be met - remain liabilities (see note 20).

This grant was utilized as funding for the municipality's Infrastructure projects.

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Figures in Rand	2017	2016
29. Government grants and subsidies (continued)		
Municipal Systems Improvement Grant (MSIG)		
Current-year receipts	-	930,000
Conditions met - transferred to revenue	-	(930,000)
	-	-
MSIG has been used to assist municipalities to perform their functions and stabilise institutional and governance systems as required by the regulatory requirements.		
Local Government Finance Management Grant (FMG)		
Current-year receipts	2,010,000	1,875,000
Conditions met - transferred to revenue	(2,010,000)	(1,875,000)
	-	-
This grant was used to promote and support reforms to financial management practices, including the modernisation of budgeting, financial management, accounting, monitoring systems and implementing of the Municipal Finance Management Act.		
Expanded Public Works Programme (EPWP)		
Current-year receipts	1,000,000	1,189,000
Conditions met - transferred to revenue	(1,000,000)	(1,189,000)
	-	-
The EPWP grant is mainly used for cleaning of the municipal streets and to provide minor form of job creation in the community.		
Department of Sports - Library		
Current-year receipts	1,377,000	1,354,000
Conditions met - transferred to revenue	(1,377,000)	(1,354,000)
	-	-
This grant is used to build and improve the communities sport facilities.		
Integrated National Electrification Programme (INEP)		
Current-year receipts	2,000,000	-
Conditions met - transferred to revenue	(2,000,000)	-
	-	-
Thsi grant was utilized for the electrification of houses in Kakamas.		
Energy Efficiency Demand Systems Management Grant (EEDSM)		
Current-year receipts	3,000,000	-
Conditions met - transferred to revenue	(3,000,000)	-
	-	-

This grant was utilized for the electrification of houses and upgrading of the municipality's electrical infrastructure.

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Figures in Rand	2017	2016
29. Government grants and subsidies (continued)		
Keimoes Camping & Caravan Park		
Balance unspent at beginning of year	162,692	409,516
Conditions met - transferred to revenue	(162,692)	(246,824)
	-	162,692

This grant was utilized for the development of the Keimoes Resort.

Department of Economic Development and Tourism

Current-year receipts	130,000	-
Conditions met - transferred to revenue	(130,000)	-
	-	-

This grant was utilized for the upgrading of Information center's infrastructure.

Grant 21

Conditions still to be met - remain liabilities (see note 20).

Provide explanations of conditions still to be met and other relevant information.

Grant 22

Conditions still to be met - remain liabilities (see note 20).

Provide explanations of conditions still to be met and other relevant information.

Grant 23

Conditions still to be met - remain liabilities (see note 20).

Provide explanations of conditions still to be met and other relevant information.

Grant 24

Conditions still to be met - remain liabilities (see note 20).

Provide explanations of conditions still to be met and other relevant information.

Grant 25

Conditions still to be met - remain liabilities (see note 20).

Provide explanations of conditions still to be met and other relevant information.

Grant 26

Conditions still to be met - remain liabilities (see note 20).

Provide explanations of conditions still to be met and other relevant information.

Grant 27

Conditions still to be met - remain liabilities (see note 20).

Provide explanations of conditions still to be met and other relevant information.

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29. Government grants and subsidies (continued)

Grant 28

Conditions still to be met - remain liabilities (see note 20).

Provide explanations of conditions still to be met and other relevant information.

Grant 29

Conditions still to be met - remain liabilities (see note 20).

Provide explanations of conditions still to be met and other relevant information.

Grant 30

Conditions still to be met - remain liabilities (see note 20).

Provide explanations of conditions still to be met and other relevant information.

Grant 31

Conditions still to be met - remain liabilities (see note 20).

Provide explanations of conditions still to be met and other relevant information.

Grant 32

Conditions still to be met - remain liabilities (see note 20).

Provide explanations of conditions still to be met and other relevant information.

Grant 33

Conditions still to be met - remain liabilities (see note 20).

Provide explanations of conditions still to be met and other relevant information.

Grant 34

Conditions still to be met - remain liabilities (see note 20).

Provide explanations of conditions still to be met and other relevant information.

Grant 35

Conditions still to be met - remain liabilities (see note 20).

Provide explanations of conditions still to be met and other relevant information.

Grant 36

Conditions still to be met - remain liabilities (see note 20).

Provide explanations of conditions still to be met and other relevant information.

Grant 37

Conditions still to be met - remain liabilities (see note 20).

Provide explanations of conditions still to be met and other relevant information.

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30. Public contributions and donations

Office furniture and equipment	64,944	-
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Nashua Uppington donated office furniture and equipment to the municipality during the financial year.

31. Revenue

Agency services	1,377,192	1,262,730
Interest received	15,866,738	11,265,611
Rental of facilities and equipment	265,801	214,426
Service charges	103,423,501	96,991,664
Other income	1,074,038	972,349
Property rates	17,143,770	15,556,330
Fines	57,029	117,424
Government grants & subsidies	88,296,421	74,290,492
Public contributions and donations	64,944	-
	227,569,434	200,671,026

The amount included in revenue arising from exchanges of goods or services are as follows:

Agency services	1,377,192	1,262,730
Interest received	15,866,738	11,265,611
Rental of facilities and equipment	265,801	214,426
Service charges	103,423,501	96,991,664
Other income	1,074,038	972,349
	122,007,270	110,706,780

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue		
Property rates	17,143,770	15,556,330
Transfer revenue		
Fines	57,029	117,424
Government grants & subsidies	88,296,421	74,290,492
Public contributions and donations	64,944	-
	105,562,164	89,964,246

32. Bad debts written off

Property rates	840,030	-
Electricity	220,091	-
Water	9,549,795	-
Waste water	2,904,152	-
Refuse	2,476,236	-
Other	6,991,453	-
	22,981,757	-

The Council of the municipality took a resolution on 28 July 2016, to write off the outstanding balances as on 30 June 2016 of 3,335 qualifying Indigent consumer accounts as bad debts.

No outstanding debts was written off during the previous financial year.

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33. Bulk purchases		
Electricity	51,890,076	49,467,050
Water	2,740,759	1,402,420
	54,630,835	50,869,470

Bulk purchases are the cost of commodities not generated by the municipality, but which the municipality distributes to consumers.

The municipality purchases electricity in bulk from Eskom and water from Kakamas Waterverbruikers Vereniging and then redistributes it to consumers.

34. Contracted services

Cash in transit services	437,278	328,648
Information technology and software services	2,575,730	3,776,189
Consultancy and professional services	1,788,205	1,052,321
Insurance	875,110	916,948
Security services	6,601,001	8,294,000
Refuse removal services	238,694	197,140
	12,516,018	14,565,246

35. Debt impairment

Consumer debtors	25,679,608	12,168,706
Long-term debtors	(3,568,538)	-
	22,111,070	12,168,706

IAS 39 states that an impairment of a financial asset is calculated as being the difference between the expected future cash flows and their present (discounted) value. This means another discounting calculation, distinct from any discounting calculations that may have been required to determine fair value at initial recognition.

An impairment calculation is forward-looking and the municipality therefore used the number of days that the particular consumer debtor is still expected to be outstanding based on the best information available at year-end.

36. Depreciation and amortisation

Intangible assets	167,545	63,795
Property, plant and equipment	38,925,510	35,737,566
	39,093,055	35,801,361

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37. Employee related costs		
Acting allowances	835,346	898,349
Basic salaries and wages	62,492,134	59,242,938
Bonuses	4,879,611	4,743,398
Cellphone allowances	139,165	143,640
Housing benefits and allowances	729,568	975,095
Industrial council contributions	36,090	34,039
Leave pay provision charge	672,623	948,457
Long-service awards	188,766	436,283
Medical aid contributions	1,766,843	1,122,781
Nightshift allowances	294,238	303,849
Overtime payments	5,646,154	5,397,740
Pension fund contributions	9,480,244	8,992,794
Performance bonuses	-	48,780
Post employment medical aid interest	1,665,200	1,474,211
Post employment service costs	1,110,738	985,475
Shift allowances	243,663	223,645
Skills development levy (SDL)	833,041	796,972
Standby allowances	2,273,687	1,891,123
Travel allowances	2,876,936	2,624,216
Unemployment insurance fund contributions (UIF)	654,550	623,615
Uniform allowances	18,609	297,670
Wages: temporary employees	99,156	36,819
Ward committee members allowances	274,000	374,500
Workmen compensation administration contributions (WCA)	7,631	13,325
Other payroll levies	113,143	32,678
	97,331,136	92,662,392

Remuneration of Municipal Manager

Annual remuneration	1,001,040	924,000
Travel allowance	360,000	360,000
Contributions to UIF, Medical and Pension funds	(17,855)	(1,785)
	1,343,185	1,282,215

Mr. J.G. Lategan was appointed as the acting municipal manager on 1 April 2014.

Remuneration of Chief Finance Officer

Annual remuneration	764,748	621,276
Travel allowance	180,000	270,000
Performance bonus	-	54,600
Telephone allowance	12,000	12,000
Contributions to UIF, Medical and Pension funds	(1,785)	(1,785)
	954,963	956,091

Mr. J. Krapohl was permanently appointed as the Chief Financial Officer on 1 December 2013.

Remuneration of director: Corporate Services

Annual remuneration	728,243	891,276
Travel allowance	216,505	-
Performance bonus	-	54,600
Telephone allowance	12,000	12,000
Contributions to UIF, Medical and Pension funds	(1,785)	(1,785)
	954,963	956,091

Adv. R.S. Neethling was permanently appointed as the Director: Corporate Services on 1 December 2013.

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Figures in Rand	2017	2016
37. Employee related costs (continued)		
Remuneration of director: Development and Planning		
Annual remuneration	944,748	891,276
Performance bonus	-	54,600
Telephone allowance	12,000	12,000
Contributions to UIF, Medical and Pension funds	(1,785)	(1,785)
	954,963	956,091

Mr. J. MacKay was permanently appointed as Director: Development and Planning on 1 December 2013.

38. Finance costs

Bank	23,710	37,571
Environmental rehabilitation	3,354,048	2,358,254
Finance leases	462,463	83,979
DBSA Loans	753,068	833,970
Trade and other payables	26,090,848	8,626,093
	30,684,137	11,939,867

39. General expenses

Advertising	206,398	88,494
Auditors remuneration	1,882,361	682,192
Bank charges	710,968	640,333
Cleaning materials	64,152	45,420
Commission: Sale of pre-paid electricity	74,873	120,711
Community development and training	50,727	123,745
Computer expenses	76,763	99,589
Consulting and professional fees	2,813,148	4,093,274
Consumables and materials	443,091	315,049
Departmental charges	3,634,242	2,194,753
Donations	1,080,283	67,891
Entertainment	65,796	58,188
Land surveyor costs	60,895	85,195
Lease rentals on operating leases	270,354	195,696
Licence fees	952,577	169,714
Motor vehicle expenses	5,469,903	5,020,963
Postage and courier	32,605	35,319
Printing and stationery	284,903	177,755
Protective clothing	524,545	82,394
Refuse removal	199,920	90,962
Small tools and equipment	4,722	-
Subscriptions and membership fees	322,324	24,259
Telephone and fax	500,869	330,386
Training fees	278,567	166,567
Travel and subsistence	5,746,267	4,619,611
Valuation roll expenses	140,491	320,040
Water purification chemicals	1,449,095	1,518,982
	27,340,839	21,367,482

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40. Grant expenses		
CoGSTHA RDP Houses	748,099	608,635
Energy Efficiency Demand Systems Management Grant expenditure	114,035	-
Expanded Public Works Programme expenditure	469,520	103,443
Financial Management Grant expenditure	2,592,115	-
Indigent Support	11,665,128	9,224,702
Integrated National Electrification Programme expenditure	-	27,014
Keimoes Camping and Caravan Park	31,754	-
Library Grant expenditure	201,656	-
Municipal Systems Improvement Grant expenditure	15,600	-
Special Projects	790,319	1,276,386
Other	180,099	69,616
	16,808,325	11,309,796

41. Impairment of assets

Impairments

Property, plant and equipment	1,226,247	-
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Due to extreme vandalism of the buildings the condition rating of the buildings decreased above expectations. Because of the extreme differences in the buildings original carrying value and the fair value valuation done by an independant valuer (DDP Valuers), management decided to impair the buildings to disclose the buildings at a more realistic fair value.

Other receivables from non-exchange revenue	200,304	30,361
---	---------	--------

The receivable stated as impaired is due to the implementation of the amended IGRAP1, which changed the probability measurement criteria from initial measurement to subsequent measurement. Therefore all traffic fine income are accounted for on the accrual basis, i.e. time when offence occurred, but then the asset is considered for impairment at year end its GRAP 26. At year end the likelihood of receiving traffic income was assessed to be less than 95% for the year when the fine is issued, therefore the fines' receivable was impaired to state a more accurate recoverable amount to enhance the comparability principal to the framework of the financial statements.

	1,426,551	30,361
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The main classes of assets affected by impairment losses are:

Property, plant and equipment - Buildings, and Other receivables through non-exchange transaction - Traffic fine receivables

Impairment loss recognised or reversed (cash-generating assets and cash-generating units)

The amount of the impairment loss recognised, is as follows:

Impairment loss recognised (Per class of asset)

Property, plant and equipment - Buildings	1,226,247	-
Other receivables from non-exchange revenue - Traffic fine receivable	200,304	30,361

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Figures in Rand	2017	2016
42. Remuneration of councillors		
Mayor	793,318	801,702
Speaker	635,798	624,117
Mayoral Committee Members	608,541	344,166
Councillors	4,002,544	3,880,977
	6,040,201	5,650,962
In-kind benefits		
The Mayor, Speaker, and Councillors are full-time councillors of the municipality.		
The Mayor is provided with secretarial support at the cost of the Council.		
Councillor remuneration is in line with the upper limits as per the Government Gazette.		
43. Repairs and maintenance		
Buildings	848,701	442,482
Electrical components	1,084,385	630,874
Landfill sites	2,265	-
Sewerage	201,840	24,094
Street and storm water drainage	655,460	168,780
Tools and equipment	10,294	898
Water distribution	1,416,578	292,324
	4,219,523	1,559,452
44. Fair value adjustments		
Investment property (Fair value model)	88,000	117,000
45. Auditors' remuneration		
Fees	1,882,361	682,192
46. Cash generated from operations		
Deficit	(105,138,476)	(61,481,407)
Adjustments for:		
Depreciation and amortisation	39,093,055	35,801,361
Gain on sale of assets and liabilities	51,263	4,171,131
Fair value adjustments	(88,000)	(117,000)
Finance costs - Finance leases	462,463	83,979
Impairment deficit	1,426,551	30,361
Debt impairment	22,111,070	12,168,706
Bad debts written off	22,981,757	-
Movements in retirement benefit assets and liabilities	(285,321)	1,842,785
Movements in provisions	5,356,642	8,200,802
Changes in working capital:		
Inventories	(1,996,543)	(2,036,244)
Receivables from exchange transactions	2,077,316	(7,246,501)
Consumer debtors	(22,111,070)	(12,168,706)
Other receivables from non-exchange transactions	(1,493,833)	(3,892,086)
Payables from exchange transactions	118,966,632	67,256,777
VAT	(12,408,551)	7,771,076
Unspent conditional grants and receipts	(163,544)	(6,005,402)
Consumer deposits	68,014	38,071
	68,909,425	44,417,703

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Figures in Rand	2017	2016
47. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	1,096,215	12,535,963
Not yet contracted for and authorised by accounting officer		
• Property, plant and equipment	-	6,719,876
Total capital commitments		
Already contracted for but not provided for	1,096,215	12,535,963
Not yet contracted for and authorised by accounting officer	-	6,719,876
	1,096,215	19,255,839
Total commitments		
Total commitments		
Authorised capital expenditure	1,096,215	19,255,839

This committed expenditure relates to plant and equipment and will be financed by available bank facilities, retained surpluses, and National Grant allocations.

48. Accounting Officer's emoluments

Executive

2017

	Basic salary	Travel allowance	Total
Mr. J.G. Lategan (Acting)	1,001,040	360,000	1,361,040

2016

	Basic salary	Travel allowance	Total
Mr. J.G. Lategan (Acting)	924,000	360,000	1,284,000

49. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality and that the municipality is very reliant on grants from National Treasury. Funding will be received from National Treasury as long as the municipality comply with all legislation requirements. The collection of outstanding consumer debtor accounts are also a priority for the municipality for the financial year.

50. Events after the reporting date

The municipality is unaware of any events after the reporting date which required disclosure.

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Notes to the Annual Financial Statements

Figures in Rand	2017	2016
51. Unauthorised expenditure		
Opening balance	283,764,811	221,031,110
Add: Unauthorised expenditure - current year	135,065,865	62,733,701
	418,830,676	283,764,811
52. Fruitless and wasteful expenditure		
Opening balance	11,677,993	2,081,672
Add: Fruitless and wasteful expenditure - current year	26,083,641	9,596,321
	37,761,634	11,677,993
53. Irregular expenditure		
Opening balance	44,670,603	32,987,430
Add: Irregular Expenditure - current year	7,103,673	11,683,173
	51,774,276	44,670,603
54. Additional disclosure in terms of Municipal Finance Management Act		
Material losses through criminal conduct		
Distribution losses - Water	346,827	840,199
Distribution losses - Electricity	7,119,490	6,373,852
	7,466,317	7,214,051
<p>Electricity losses for the current year amounted to 13% of total electricity purchased. These losses comprise of technical and non-technical losses. Technical losses, being losses within the network which are inherent in any network, account for 10%. Non-technical losses, being theft, faults, billing errors account for 3%. The Municipality will work towards improving control over non-technical losses.</p> <p>A register of distribution losses is available at the municipal offices.</p>		
Audit fees		
Opening balance	8,145,120	8,145,120
Current year subscription / fee	1,751,748	-
	9,896,868	8,145,120
PAYE and UIF		
Current year subscription / fee	10,203,793	9,955,845
Pension and Medical Aid Deductions		
Current year subscription / fee	11,992,336	10,546,068
VAT		
VAT receivable	6,800,299	-
VAT payable	-	5,608,252
	6,800,299	5,608,252

VAT output payables and VAT input receivables are shown in note 9 and 21 respectively.

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Figures in Rand	2017	2016
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54. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2017:

30 June 2017	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr. C.F.P. Bezuidenhout	1,994	51,496	53,490
Cllr. M.O. Marshall	487	5,418	5,905
	2,481	56,914	59,395

No Councillors had arrear consumer accounts as on 30 June 2016.

55. Contingencies

The municipality has the following Legal cases pending which could result in possible outflow of economic resources.

Wessels & Smith Attorneys Inc has assisted the municipality in the current financial year with their legal proceedings.

Nr	Type of case	Description	Parties involved	Commenced	Status	Potential Liability
1	Litigation	Claim: Orange River Flood Damage, Keimoes	HC Turner, CJG Turner & DJ Turner / Kai !Garib Municipality	Prior 2012/13	Pending	664,100
2	Litigation	Claim: Orange River Flood Damage, Keimoes	JG van Niekerk & Van Niekerk Nieuwoudt/ Kai!Garib Municipality	Prior 2012/13	Pending	250,041
3	Litigation	Claim: Tree months salary, medical disability on own request, Keimoes	Me. E. Basson / Kai!Garib Municipality	2014/15	Pending	52,728

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Figures in Rand	2017	2016
56. Related parties		
Relationships		
Accounting Officer	No related parties transactions noted except for remuneration as disclosed in note 37	
Joint venture of key management	No related parties transactions noted	
Close family member of key management	No related parties transactions noted	
Post employment benefit plan for employees of a related party of a close family member of key management	No related parties transactions noted	
Members of key management	Mr. J.G. Lategan Mr. J. Krapohl Adv. R. Neethling Mr. J. MacKay	
Compensation to accounting officer and other key management		
Councillor allowances	4,254,482	4,060,142
Basic salaries	3,438,779	3,327,828
Performance bonuses	-	163,800
Travel allowances	2,151,587	1,866,064
Telephone allowances	426,637	390,756
	10,271,485	9,808,590

Key management information

Class	Remuneration	Number
Mayor	Refer to note 42	1
Speaker	Refer to note 42	1
Councillors	Refer to note 42	18
Municipal Manager	Refer to note 37	1
Section 57 managers	Refer to note 37	3

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Figures in Rand	2017	2016		
56. Related parties (continued)				
Remuneration of management				
Councillors and committee members				
2017				
	Basic salary	Car allowance	Cellphone allowance	Total
Mayor				
Cllr.M.M. Louw	494,226	164,742	18,141	677,109
Cllr. J.J.J. Olyn	86,897	26,404	2,908	116,209
Speaker				
Cllr. D.W. Fienies	395,383	131,798	18,141	545,322
Cllr. S. Jacob	69,517	21,124	2,908	93,549
Executive committee members				
Cllr. E. Meyer	36,290	10,943	2,908	50,141
Cllr. D.W. Fienies	36,290	10,943	2,908	50,141
Cllr. W.D. Klim	196,360	65,450	17,390	279,200
Cllr. C. Markgraaff	196,360	65,450	17,390	279,200
Chairpersons				
Cllr. W.D. Klim	35,667	10,214	2,908	48,789
Cllr. A.V. du Plessis	33,868	10,214	2,908	46,990
Cllr. E.E. Fritz	30,641	10,214	2,908	43,763
Cllr. B.B. Kordom	164,934	54,981	15,651	235,566
Cllr. B.M. Bock	164,934	54,981	15,651	235,566
Cllr. E.E. Fritz	164,934	54,981	15,651	235,566
Cllr. V.W.W. Sacco	164,934	54,981	15,651	235,566
Councillors				
Cllr. A.M. van Wyk	26,391	7,959	2,908	37,258
Cllr. B.M. Bock	26,391	7,959	2,908	37,258
Cllr. A.C. Snyders	26,391	7,959	2,908	37,258
Cllr. A.M. Isaacs	26,391	7,959	2,908	37,258
Cllr. W.B. Kamfer	26,391	7,959	2,908	37,258
Cllr. M.M.J. Titus	26,391	7,959	2,908	37,258
Cllr. A. van der Westhuizen	26,391	7,959	2,908	37,258
Cllr. C. Markgraaf	26,391	7,959	2,908	37,258
Cllr. E. Mompe	26,391	7,959	2,908	37,258
Cllr. W.N. Afrikaner	26,391	7,959	2,908	37,258
Cllr. D.R. Jaar	148,969	49,656	18,141	216,766
Cllr. B.B. Kordom	20,449	6,816	2,490	29,755
Cllr. B.M. Bock	20,449	6,816	2,490	29,755
Cllr. P.A. Thomas	148,969	49,656	18,141	216,766
Cllr. N.J. Snyers	148,969	49,656	18,141	216,766
Cllr. E.E. Fritz	35,551	6,816	2,490	44,857
Cllr. W.D. Klim	6,169	2,056	751	8,976
Cllr. E. Meyer	77,569	25,856	9,446	112,871
Cllr. C. Markgraaf	6,169	2,056	751	8,976
Cllr. V.W.W. Sacco	20,449	6,816	2,490	29,755
Cllr. M.A. Papier	148,969	49,656	18,141	216,766
Cllr. E.K. Strauss	148,969	49,656	18,141	216,766
Cllr. M.O. Marshall	148,969	49,656	18,141	216,766
Cllr. M.Y. Basson	148,969	49,656	18,141	216,766
Cllr. C. Kruger	148,969	49,656	18,141	216,766
Cllr. C.F.P. Maasdorp	148,969	49,656	18,141	216,766
Cllr. A.R. Smith	148,969	49,656	18,141	216,766
Cllr. J.M. de Klerk	42,842	14,280	5,217	62,339
	4,254,482	1,395,082	390,637	6,040,201

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56. Related parties (continued)				
2016				
	Basic salary	Car allowance	Cellphone allowance	Total
Mayor				
Cllr. J.J.J. Olyn	597,086	183,743	20,868	801,697
Speaker				
Cllr. S. Jacob	477,676	146,995	20,868	645,539
Executive committee members				
Cllr. E. Meyer	247,348	75,950	20,868	344,166
Cllr. D.W. Fienies	247,348	75,950	20,868	344,166
Chairpersons				
Cllr. W.D. Klim	226,355	68,188	20,868	315,411
Cllr. A.V. du Plessis	230,850	70,886	20,868	322,604
Cllr. E.E. Frits	225,289	61,982	20,868	308,139
Councillors				
Cllr. A.M. van Wyk	179,884	55,237	20,868	255,989
Cllr. B.M. Bock	194,318	55,237	20,868	270,423
Cllr. A.C. Snyders	179,884	55,237	20,868	255,989
Cllr. A.M. Isaacs	179,884	55,237	20,868	255,989
Cllr. W.B. Kamfer	179,884	55,237	20,868	255,989
Cllr. M.M.J. Titus	179,884	55,237	20,868	255,989
Cllr. A. van der Westhuizen	179,884	55,237	20,868	255,989
Cllr. C. Markgraaf	179,884	55,237	20,868	255,989
Cllr. E. Mompe	179,884	55,237	20,868	255,989
Cllr. W.N. Afrikaner	174,800	55,237	20,868	250,905
	4,060,142	1,236,064	354,756	5,650,962

Refer to note 42: Remuneration of councilors

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Figures in Rand	2017	2016
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56. Related parties (continued)

Executive management

2017

	Basic salary	Travel allowance	Telephone allowance	Total
Municipal Manager				
Mr. J.G. Lategan	1,001,040	360,000	-	1,361,040
Chief Financial Officer				
Mr. J. Krapohl	764,748	180,000	12,000	956,748
Director: Corporate Services				
Adv. R. Neethling	728,243	216,505	12,000	956,748
Director: Planning and Development				
Mr. J. Mac Kay	944,748	-	12,000	956,748
	3,438,779	756,505	36,000	4,231,284

2016

	Basic salary	Bonuses and performance related payments	Travel allowance	Telephone allowance	Total
Municipal Manager					
Mr. J.G. Lategan	924,000	-	360,000	-	1,284,000
Chief Financial Officer					
Mr. J. Krapohl	621,276	54,600	270,000	12,000	957,876
Director: Corporate Services					
Adv. R. Neethling	891,276	54,600	-	12,000	957,876
Director: Planning and Development					
Mr. J. Mac Kay	891,276	54,600	-	12,000	957,876
	3,327,828	163,800	630,000	36,000	4,157,628

Refer to note 37: Employee related costs

57. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

Statement of financial position

2016

	Note	As previously reported	Correction of error	Re-classification	Restated
Receivables from exchange transactions	6	25,093,251	16,551,589	-	41,644,840
Receivables from non-exchange transactions	7	10,336,802	8,071,696	-	18,408,498
Intangible assets	10	94,755	220,441	-	315,196
Property, plant and equipment	12	740,026,749	-	-	740,026,749
Employee benefit obligation	15	-	-	(572,220)	(572,220)
Employee benefit obligation	15	(18,703,014)	-	572,220	(18,130,794)
Finance lease obligation	16	(439,051)	331,708	-	(107,343)
Finance lease obligation	16	-	(547,187)	-	(547,187)
Payables from exchange transactions	18	(161,285,648)	24,997,857	-	(136,287,791)
		595,123,844	49,626,104	-	644,749,948

Statement of financial performance

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Notes to the Annual Financial Statements

Figures in Rand			2017	2016	
57. Prior-year adjustments (continued)					
2016					
	Note	As previously reported	Correction of error	Re-classification	Restated
Debt impairment - Traffic fines	35	15,612,017	-	(30,361)	15,581,656
Impairment losses - Traffic fine receivables	41	-	-	30,361	30,361
Employee related costs	37	91,860,505	-	801,888	92,662,393
Actuarial gains/(losses)	15	-	-	173,207	173,207
Transfers and subsidies	40	12,257,877	-	(975,095)	11,282,782
Debt impairment - Consumer debtors	35	15,612,017	(3,443,311)	-	12,168,706
Surplus for the year		135,342,416	(3,443,311)	-	131,899,105

58. Risk management

Capital risk management

The municipality's objectives when managing capital are to safeguard the municipality's ability to continue as a going concern in order to provide returns for members and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The capital structure of the municipality consists of cash and cash equivalents and equity as disclosed in the statement of financial position.

Consistent with others in the industry, the municipality monitors capital on the basis of the debt: equity ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including current and non-current borrowings) as shown in the statement of financial position) less cash and cash equivalents. Total equity is represented in the statement of financial position. There are no externally imposed capital requirements.

There have been no changes to what the municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

Gearing ratio:

Less: Cash and cash equivalents	(918,801)	(1,204,168)
Net debt	(331,517,025)	(222,586,266)
Total equity	504,173,321	609,311,794
Total capital	172,656,296	386,725,528
Gearing ratio	0.61%	0.41%

The gearing ratio of the municipality decreased due to the ESKOM liability respectively increasing. Management has entered into a settlement agreement with ESKOM to repay its debt.

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk, fair value interest rate risk, and price risk, credit risk and liquidity risk, but the exposure is limited to the the municipality's management thereof. Due to largely, "non-trading nature" of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, financial assets and liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Budget and Treasury Office monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by internal auditors on a continuous basis, and by external auditors annually. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports monthly to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

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Figures in Rand	2017	2016
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58. Risk management (continued)

Credit risk

Credit risk is the risk of financial loss to the Municipality or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Municipality from customers and investment securities. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Each class of financial instrument is disclosed separately. Maximum exposure to credit risk not covered by collateral is specified. Financial instruments covered by collateral are specified. Credit risk consists mainly of cash deposits, cash equivalents. The municipality limits its counterparty exposures from its short-term investments (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions short term credit rating of BBB and long-term credit rating of AA- and higher at an International accredited credit rating agency. The municipality's exposure is continuously monitored and the aggregate value of transactions concluded is spread amongst different types of approved investments and institutions, in accordance with its investment policy. Consequently, the municipality is not exposure to any significant credit risk. Receivables and Other Debtors are individually evaluated annually at statement of financial position date for impairment or discounting. Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, and is not concentrated in any particular sector or geographical area. The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2017	2016
Cash and cash equivalents	918,801	1,204,168
Receivables from exchange transactions	39,567,524	41,644,840
Receivables from non-exchange transactions	19,902,331	18,408,498

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The maximum exposure to cash flow and fair value risk, price risk and foreign currency risk.

There has been no change to the municipality's exposure to market risk on the manner in which managed.

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates. Interest rate risk is deferred that the fair value of future cash flows associated with a financial instrument will fluctuate in amount as a result in market interest changes.

To decrease interest rate risk exposure, investments is mostly done on a on a term not longer than six months. The current Interest rate shown below is the average interest earned during the year under review on call investment deposits and cash in current banking institutions.

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58. Risk management (continued)

Price risk

The municipality is exposed to equity securities price risk because of investments held by the municipality and classified on the consolidated statement of financial position either as available-for-sale or at fair value through surplus or deficit. The municipality is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the municipality diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the municipality. The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

Surplus for the year would increase/decrease as a result of gains/losses on equity securities classified as at fair value through surplus or deficit. Other components of equity would increase/decrease as a result of gains/losses on equity securities classified as available for sale.

59. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendix E(1) for the comparison of actual operating revenue and expenditure versus budgeted revenue and expenditure.

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60. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

The following deviations occurred during the financial year:

Nr	Date	Order number	Voucher number	Amount	Vendor	Description
DEV001	11/07/2016	24691	15047233	20,292	FJ Verwant Contractors	Due to a shortage on Fleet (Refuse removal vehicles were broken down and in for repairs) We were in urgent need of a refuse removal truck. Urgent for service delivery
DEV002	15/07/2016	8399	15047287	20,292	FJ Verwant Contractors	Due to a shortage on Fleet (Refuse removal vehicles were broken down and in for repairs) We were in urgent need of a refuse removal truck. Urgent for service delivery
DEV003	22/07/2016	8410	15047394	20,292	FJ Verwant Contractors	Due to a shortage on Fleet (Refuse removal vehicles were broken down and in for repairs) We were in urgent need of a refuse removal truck. Urgent for service delivery
DEV004	28/07/2016	24333	15047451	20,292	FJ Verwant Contractors	Due to a shortage on Fleet (Refuse removal vehicles were broken down and in for repairs) We were in urgent need of a refuse removal truck. Urgent for service delivery
DEV005	05/08/2016	8457	15047539	179,130	Conlog	Sole service provider. This is the only pre-paid water meters that is compatible with our financial system SEBATA.
DEV006	05/08/2016	8462	15047545	20,292	FJ Verwant Contractors	Due to a shortage on Fleet (Refuse removal vehicles were broken down and in for repairs) We were in urgent need of a refuse removal truck. Urgent for service delivery
DEV007	10/08/2016	8467	15047566	27,200	Assetlabels	Asset verification and count for the financial year 2015/16 was conducted, some of the table were lost. This is the only service provider in our area.
DEV008	11/08/2016	8490	15047597	32,467	FJ Verwant Contractors	Due to a shortage on Fleet (Refuse removal vehicles were broken down and in for repairs) We were in urgent need of a refuse removal truck. Urgent for service delivery
DEV009	23/08/2016	8512		126,147	Improchem	Only one quote was sourced for the specific water chemicals. A process still needs to be followed to test chemicals and to appoint a service provider for the supply of water chemicals.

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60. Deviation from supply chain management regulations (continued)

DEV010	02/09/2016	24401		18,910	Improchem	This is the only water chemical that are used at the plant. Only one quote was sourced from the service provider manufacturing these chemicals.
DEV011	09/09/2016	24466		23,676	Improchem	This is the only water chemical that are used at the plant. Only one quote was sourced from the service provider manufacturing these chemicals.
DEV012	13/09/2016	8623		9,257	Trans Oranje Drukkers	Leave books are urgently needed to capture all leaves correctly before implementing the new leave module. Only one quote was sourced from the supplier who previously printed the books and have the sample.
DEV013	13/09/2016	8622		2,677	Trans Oranje Drukkers	A need for requisition books arised and needed to be purchased as soon as possible for purchasing to continue as usual. No purchases can be done without an official requisition.
DEV014	05/10/2016	8400	15048723	3,505	Trans Oranje Drukkers	A need for credit note books arised and needed to be purchased as soon as possible.
DEV015	12/10/2016	26005	15048820	69,516	Dr. N.C. Slabbert	There was an urgent need to provide Kai !Garib employees with immunization against Hepatits A & B.
DEV016	20/10/2016	24837	15048914	28,044	Upington Tuindienste	This is the only provider for grass for Kai !Garib stadiums in our immediate area.
DEV017	25/10/2016	26032	15049005	39,642	Eurocar South Africa	Rental of mayoral vehicle. This is the only rental company who was able to assist Kai !Garib in the rental of the mayoral vehicle without the use of a credit card and that is registered on the CSD. The mayoral vehicle is currently in for repairs.
DEV018	03/11/2016	26068	15049092	13,680	Arch Actuarial Consulting	Kai !Garib was in urgent need of an Actuarial Consulting service for the provision of GRAP25 acutuarial services in respect of long-term employee benefits.
DEV019	10/11/2016	8561	15049254	86,242	AAS Operations	Kai !Garib had an urgent need for water purification chemicals. RFQ was advertised. We are awaiting appointment of the service provider.
DEV020	17/11/2016	8747	15049005	55,123	Eurocar South Africa	Rental of mayoral vehicle. This is the only rental company who was able to assist Kai !Garib in the rental of the mayoral vehicle without the use of a credit card and that is registered on the CSD. The mayoral vehicle is currently in for repairs.

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60. Deviation from supply chain management regulations (continued)

DEV021	30/11/2016	8748	15049504	32,415	Human Communications	Advertisement for the Municipal Manager Position that needs to be advertised in the City Press/Rapport.
DEV022	30/11/2016	2500	15049504	15,595	Human Communications	Advertisement for the Municipal Manager Position that needs to be advertised in the City Press/Rapport.
DEV023	07/12/2016	8804	15049699	8,000	RJ Entertainment	Local artist performing at Christmaslights festival.
DEV024	07/12/2016	8795	15049701	85,500	Sharpline Signs	DJ entertainment for Christmaslights festival.
DEV025	07/12/2016	8799	15049702	17,100	MC Production	Entertainment for kids at the Christmaslight festival.
DEV026	12/12/2016	8901	15049791	9,235	Eurocar South Africa	Rental of mayoral vehicle. This is the only rental company who was able to assist Kai !Garib in the rental of the mayoral vehicle without the use of a credit card and that is registered on the CSD. The mayoral vehicle is currently in for repairs.
DEV027	17/02/2017		15050613	20,074	Eurocar South Africa	Rental of mayoral vehicle. This is the only rental company who was able to assist Kai !Garib in the rental of the mayoral vehicle without the use of a credit card and that is registered on the CSD. The mayoral vehicle is currently in for repairs.
DEV028	06/04/2017		15051182	46,587	AAS Operations	Kai !Garib had an urgent need for water purification chemicals. RFQ was advertised and awarded, but we exceeded the RFQ amount. We are in the process of going out on a year tender for this product.
DEV029	07/04/2017		15051223	6,563	Thyron Besigheidsvorms	Thyron are the only provider in the area with rights to print ABSA business cheques. Cheques are thus setup with our financial system
DEV030	07/04/2017		15051189	58,500	Renier Konstruksie	The contractor had to provide curbstones for the roads in Keimoes which was damaged in the "Dineo" storm that hit our area during March.
DEV031	13/04/2017		15051324	30,480	Eurocar South Africa	Rental of mayoral vehicle. This is the only rental company who was able to assist Kai !Garib in the rental of the mayoral vehicle without the use of a credit card and that is registered on the CSD. The mayoral vehicle is currently in for repairs.
DEV032	25/04/2017		15051358	22,570	Eurocar South Africa	Rental of mayoral vehicle. This is the only rental company who was able to assist Kai !Garib in the rental of the mayoral vehicle without the use of a credit card and that is registered on the CSD. The mayoral vehicle is currently in for repairs.

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60. Deviation from supply chain management regulations (continued)

DEV033	02/05/2017		15051411	49,275	AAS Operations	Kai !Garib had an urgent need for water purification chemicals. RFQ was advertised and awarded, but we exceeded the RFQ amount. We are in the process of going out on a year tender for this product.
DEV034	03/05/2017		15051421	4,085	Eurocar South Africa	Rental of mayoral vehicle. This is the only rental company who was able to assist Kai !Garib in the rental of the mayoral vehicle without the use of a credit card and that is registered on the CSD. The mayoral vehicle is currently in for repairs.
DEV035	08/05/2017		15051541	85,337	NB Mechanical Sales	Emergency. Transformers blew and had to be replaced in order for the municipality to provide electricity to two of our smaller community settlements.
DEV036	09/05/2017		15051581	98,797	Conlog	Sole service provider. This is the only pre-paid water meters that is compatible with our financial system SEBATA.
DEV037	15/05/2017		15051647	30,000	Open Africa	Labelling and branding for tourist centrum as prescribed by the department of Tourism. Transfer agreement between Kai !Garib and the department of Economic development and Tourism ended on 31 March 2017. Department transferred the funds.
DEV038	15/05/2017		15051646	100,000	N Kasimbingue	Due to the state of the building and lack of safety measures, we were forced to appoint the supplier to renovate a.s.a.p Renovation of Tourism building in Kakamas. Transfer agreement between Kai !Garib and the department of Economic development and Tourism ended on 31 March 2017. Department transferred the funds.
DEV039	17/05/2017		15051718	37,724	Vac-Cent Services	Emergency. Kai !Garib Municipality's current fleet size and shape is inadequate for the purpose to deliver communal services. We were in urgent need of this sewerage pump, as only 1 sewerage work were delivery services in the Kakamas area.
DEV040	29/05/2017		15051895	69,494	Robinson Distribution	Emergency. Kai !Garib Municipality's has been hit with RANSOMWARE where we lost all of our data. Community was not able to purchase any electricity and/or water where pre-paid meters are applicable. We were in urgent need of a firewall to protect our data.

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60. Deviation from supply chain management regulations (continued)

DEV041	01/06/2017		15051941	7,379	Eurocar South Africa	Rental of mayoral vehicle. This is the only rental company who was able to assist Kai !Garib in the rental of the mayoral vehicle without the use of a credit card and that is registered on the CSD. The mayoral vehicle is currently in for repairs. This issue will be addressed in the SCM policy, which will make provision for rental of vehicles.
DEV042	02/06/2017		15051981	19,879	Eurocar South Africa	Rental of mayoral vehicle. This is the only rental company who was able to assist Kai !Garib in the rental of the mayoral vehicle without the use of a credit card and that is registered on the CSD. The mayoral vehicle is currently in for repairs. This issue will be addressed in the SCM policy, which will make provision for rental of vehicles.
DEV043	28/06/2017		15052359	19,307	Eurocar South Africa	Rental of mayoral vehicle. This is the only rental company who was able to assist Kai !Garib in the rental of the mayoral vehicle without the use of a credit card and that is registered on the CSD. The mayoral vehicle is currently in for repairs. This issue will be addressed in the SCM policy, which will make provision for rental of vehicles.

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Appendix A

Schedule of external loans as at 30 June 2017

Loan Number	Redeemable	Balance at 30 June 2016	Received during the period	Redeemed written off during the period	Balance at 30 June 2017	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand		
Development Bank of South Africa							
1200 0176/6100 0080	1004 98/1 30/06/2023	1,902,008	-	542,698	1,359,310	-	-
1200 1645/6100 1016	1037 23/2 28/02/2019	6,296,059	517,103	-	6,813,162	-	-
1200 1645/6100 1017	1037 23/3 31/08/2015	546,577	-	534,733	11,844	-	-
1200 4799/6100 3256	1370 2/101 30/06/2021	740,850	30,907	-	771,757	-	-
		9,485,494	548,010	1,077,431	8,956,073	-	-
Lease liability							
Nashua - Office equipment		654,530	6,260,718	785,880	6,129,368	5,939,833	-
		654,530	6,260,718	785,880	6,129,368	5,939,833	-
Total external loans							
Development Bank of South Africa		9,485,494	548,010	1,077,431	8,956,073	-	-
Lease liability		654,530	6,260,718	785,880	6,129,368	5,939,833	-
		10,140,024	6,808,728	1,863,311	15,085,441	5,939,833	-

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Appendix B

Analysis of property, plant and equipment as at 30 June 2017	
Cost/Revaluation	Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	89,435,600	18,589,780	-	(11,783,000)	-	-	96,242,380	-	-	-	-	-	-	96,242,380
Landfill Sites (Separate for AFS purposes)	47,080,490	1,813,830	-	-	-	-	48,894,320	(30,007,685)	-	-	(8,784,165)	-	(38,791,850)	10,102,470
Buildings (Separate for AFS purposes)	62,119,118	559,122	(1,169,028)	-	-	-	61,509,212	(12,287,342)	1,138,830	-	(1,726,701)	(1,226,247)	(14,101,460)	47,407,752
	198,635,208	20,962,732	(1,169,028)	(11,783,000)	-	-	206,645,912	(42,295,027)	1,138,830	-	(10,510,866)	(1,226,247)	(52,893,310)	153,752,602
Infrastructure														
Communication	425,913	-	(122,545)	-	-	-	303,368	(351,984)	122,545	-	(21,099)	-	(250,538)	52,830
Electricity	131,745,498	3,212,508	(1,597,332)	198,490	-	-	133,559,164	(55,443,318)	951,101	8,852	(6,085,376)	-	(60,568,741)	72,990,423
Roads, Pavement, Bridges and Storm Water	207,871,373	1,241,851	(1,107,185)	-	-	-	208,006,039	(45,546,134)	454,511	-	(5,290,970)	-	(50,382,593)	157,623,446
Sanitation	820,611	-	(232,541)	-	-	-	588,070	(407,044)	200,729	-	(58,080)	-	(264,395)	323,675
Sewerage	65,005,433	481,966	(270,347)	-	-	-	65,217,052	(11,287,874)	108,440	-	(1,656,150)	-	(12,835,584)	52,381,468
Transport	128,715	-	(7,466)	-	-	-	121,249	(113,559)	8,397	-	(2,009)	-	(107,171)	14,078
Water	319,487,381	39,397,328	(11,466,732)	(18,673)	-	-	347,399,304	(72,751,618)	6,071,969	63,326	(10,152,623)	-	(76,768,946)	270,630,358
Work-in-progress	34,066,147	22,823,480	-	(41,205,540)	-	-	15,684,087	-	-	-	-	-	-	15,684,087
	759,551,071	67,157,133	(14,804,148)	(41,025,723)	-	-	770,878,333	(185,901,531)	7,917,692	72,178	(23,266,307)	-	(201,177,968)	569,700,365
Community Assets														
Sportsfields and stadium	20,046,310	-	(304,017)	-	-	-	19,742,293	(5,379,743)	218,495	-	(943,564)	-	(6,104,812)	13,637,481
Recreational facilities	370,321	-	(1,230)	-	-	-	369,091	(144,307)	1,230	-	(19,693)	-	(162,770)	206,321
Other	691,371	2,604	-	9,733	-	-	703,708	(78,424)	-	-	(26,732)	-	(105,156)	598,552
Cemeteries	4,067,708	-	(199,285)	-	-	-	3,868,423	(1,744,661)	105,038	-	(249,028)	-	(1,888,651)	1,979,772
Work-in-progress	2,101,110	5,671,471	-	(3,181,870)	-	-	4,590,711	-	-	-	-	-	-	4,590,711
	27,276,820	5,674,075	(504,532)	(3,172,137)	-	-	29,274,226	(7,347,135)	324,763	-	(1,239,017)	-	(8,261,389)	21,012,837

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Appendix B

Analysis of property, plant and equipment as at 30 June 2017	
Cost/Revaluation	Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Buildings	1	-	-	-	-	-	1	-	-	-	-	-	-	1
Other	4	-	-	-	-	-	4	-	-	-	-	-	-	4
	5	-	-	-	-	-	5	-	-	-	-	-	-	5
Other assets														
Emergency Equipment	145,126	1,754	-	-	-	-	146,880	(32,015)	-	-	(26,834)	-	(58,849)	88,031
Furniture and Fittings	2,222,474	73,934	(52,733)	-	-	-	2,243,675	(1,668,823)	44,189	-	(156,543)	-	(1,781,177)	462,498
Motor Vehicles	16,514,497	-	(1,018,976)	-	-	-	15,495,521	(8,314,751)	740,680	-	(2,040,188)	-	(9,614,259)	5,881,262
Office Equipment	3,573,678	924,451	(368,410)	-	-	-	4,129,719	(2,544,193)	350,579	-	(387,833)	-	(2,581,447)	1,548,272
Office Equipment - Leased	762,956	6,101,150	-	-	-	-	6,864,106	(12,542)	-	-	(911,731)	-	(924,273)	5,939,833
Plant and equipment - other	1,782,735	213,532	(43,409)	-	-	-	1,952,858	(426,609)	16,314	-	(457,285)	-	(867,580)	1,085,278
	25,001,466	7,314,821	(1,483,528)	-	-	-	30,832,759	(12,998,933)	1,151,762	-	(3,980,414)	-	(15,827,585)	15,005,174

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Appendix B

Analysis of property, plant and equipment as at 30 June 2017	
Cost/Revaluation	Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	198,635,208	20,962,732	(1,169,028)	(11,783,000)	-	-	206,645,912	(42,295,027)	1,138,830	-	(10,510,866)	(1,226,247)	(52,893,310)	153,752,602
Infrastructure	759,551,071	67,157,133	(14,804,148)	(41,025,723)	-	-	770,878,333	(185,901,531)	7,917,692	72,178	(23,266,307)	-	(201,177,968)	569,700,365
Community Assets	27,276,820	5,674,075	(504,532)	(3,172,137)	-	-	29,274,226	(7,347,135)	324,763	-	(1,239,017)	-	(8,261,389)	21,012,837
Heritage assets	5	-	-	-	-	-	5	-	-	-	-	-	-	5
Other assets	25,001,466	7,314,821	(1,483,528)	-	-	-	30,832,759	(12,998,933)	1,151,762	-	(3,980,414)	-	(15,827,585)	15,005,174
	1,010,464,570	101,108,761	(17,961,236)	(55,980,860)	-	-	1,037,631,235	(248,542,626)	10,533,047	72,178	(38,996,604)	(1,226,247)	(278,160,252)	759,470,983
Intangible assets														
Computers - software & programming	378,990	228,820	-	-	-	-	607,810	(63,795)	-	-	(167,545)	-	(231,340)	376,470
	378,990	228,820	-	-	-	-	607,810	(63,795)	-	-	(167,545)	-	(231,340)	376,470
Investment properties														
Investment property	1,417,000	-	-	-	-	88,000	1,505,000	-	-	-	-	-	-	1,505,000
	1,417,000	-	-	-	-	88,000	1,505,000	-	-	-	-	-	-	1,505,000
Total														
Land and buildings	198,635,208	20,962,732	(1,169,028)	(11,783,000)	-	-	206,645,912	(42,295,027)	1,138,830	-	(10,510,866)	(1,226,247)	(52,893,310)	153,752,602
Infrastructure	759,551,071	67,157,133	(14,804,148)	(41,025,723)	-	-	770,878,333	(185,901,531)	7,917,692	72,178	(23,266,307)	-	(201,177,968)	569,700,365
Community Assets	27,276,820	5,674,075	(504,532)	(3,172,137)	-	-	29,274,226	(7,347,135)	324,763	-	(1,239,017)	-	(8,261,389)	21,012,837
Heritage assets	5	-	-	-	-	-	5	-	-	-	-	-	-	5
Other assets	25,001,466	7,314,821	(1,483,528)	-	-	-	30,832,759	(12,998,933)	1,151,762	-	(3,980,414)	-	(15,827,585)	15,005,174
Intangible assets	378,990	228,820	-	-	-	-	607,810	(63,795)	-	-	(167,545)	-	(231,340)	376,470
Investment properties	1,417,000	-	-	-	-	88,000	1,505,000	-	-	-	-	-	-	1,505,000
	1,012,260,560	101,337,581	(17,961,236)	(55,980,860)	-	88,000	1,039,744,045	(248,606,421)	10,533,047	72,178	(39,164,149)	(1,226,247)	(278,391,592)	761,352,453

Kai !Garib Local Municipality
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Appendix B

Analysis of property, plant and equipment as at 30 June 2016
Cost/Revaluation **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	88,295,600	1,140,000	-	-	-	-	89,435,600	-	-	-	-	-	-	89,435,600
Landfill Sites (Separate for AFS purposes)	41,590,181	5,490,309	-	-	-	-	47,080,490	(25,865,970)	-	-	(4,141,715)	-	(30,007,685)	17,072,805
Buildings (Separate for AFS purposes)	62,137,211	-	(18,093)	-	-	-	62,119,118	(10,593,448)	4,868	-	(1,698,762)	-	(12,287,342)	49,831,776
	192,022,992	6,630,309	(18,093)	-	-	-	198,635,208	(36,459,418)	4,868	-	(5,840,477)	-	(42,295,027)	156,340,181
Infrastructure														
Communication	425,913	-	-	-	-	-	425,913	(300,626)	-	-	(51,358)	-	(351,984)	73,929
Electricity	131,071,911	1,031,228	(357,641)	-	-	-	131,745,498	(49,383,741)	235,082	-	(6,294,658)	-	(55,443,317)	76,302,181
Roads, Pavement, Bridges and Storm Water	205,526,241	2,354,863	(9,731)	-	-	-	207,871,373	(38,326,276)	5,450	-	(7,225,308)	-	(45,546,134)	162,325,239
Sanitation	820,611	-	-	-	-	-	820,611	(348,895)	-	-	(58,149)	-	(407,044)	413,567
Sewerage	65,022,062	-	(16,629)	-	-	-	65,005,433	(9,646,942)	16,629	-	(1,657,561)	-	(11,287,874)	53,717,559
Transport	128,715	-	-	-	-	-	128,715	(97,469)	-	-	(16,089)	-	(113,558)	15,157
Water	316,115,842	4,594,692	(1,223,153)	-	-	-	319,487,381	(63,939,435)	949,886	-	(9,762,070)	-	(72,751,619)	246,735,762
Work-in-progress	20,611,269	21,428,152	-	(7,973,274)	-	-	34,066,147	-	-	-	-	-	-	34,066,147
	739,722,564	29,408,935	(1,607,154)	(7,973,274)	-	-	759,551,071	(162,043,384)	1,207,047	-	(25,065,193)	-	(185,901,530)	573,649,541
Community Assets														
Sportsfields and stadium	14,739,536	5,652,966	(346,192)	-	-	-	20,046,310	(4,827,847)	195,252	-	(747,149)	-	(5,379,744)	14,666,566
Recreational facilities	370,321	-	-	-	-	-	370,321	(123,797)	-	-	(20,510)	-	(144,307)	226,014
Other	691,371	-	-	-	-	-	691,371	(52,071)	-	-	(26,353)	-	(78,424)	612,947
Cemeteries	4,068,005	-	(297)	-	-	-	4,067,708	(1,495,492)	69	-	(249,237)	-	(1,744,660)	2,323,048
Work-in-progress	6,000,559	1,753,517	-	(5,652,966)	-	-	2,101,110	-	-	-	-	-	-	2,101,110
	25,869,792	7,406,483	(346,489)	(5,652,966)	-	-	27,276,820	(6,499,207)	195,321	-	(1,043,249)	-	(7,347,135)	19,929,685

Kai !Garib Local Municipality
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Appendix B

Analysis of property, plant and equipment as at 30 June 2016	
Cost/Revaluation	Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Buildings	1	-	-	-	-	-	1	-	-	-	-	-	-	1
Other	4	-	-	-	-	-	4	-	-	-	-	-	-	4
	5	-	-	-	-	-	5	-	-	-	-	-	-	5
Specialised vehicles														
Other assets														
Emergency Equipment	145,126	-	-	-	-	-	145,126	(6,775)	-	-	(25,240)	-	(32,015)	113,111
Furniture and Fittings	2,214,174	8,386	(85)	-	-	-	2,222,475	(1,528,670)	84	-	(140,238)	-	(1,668,824)	553,651
Motor Vehicles	24,036,714	-	(7,522,217)	-	-	-	16,514,497	(8,412,484)	2,953,583	-	(2,855,850)	-	(8,314,751)	8,199,746
Office Equipment	3,716,339	11,721	(154,383)	-	-	-	3,573,677	(2,332,917)	151,888	-	(363,163)	-	(2,544,192)	1,029,485
Office Equipment - Leased	-	762,956	-	-	-	-	762,956	-	-	-	(12,542)	-	(12,542)	750,414
Plant and equipment - other	1,764,493	18,242	-	-	-	-	1,782,735	(37,027)	-	-	(389,582)	-	(426,609)	1,356,126
	31,876,846	801,305	(7,676,685)	-	-	-	25,001,466	(12,317,873)	3,105,555	-	(3,786,615)	-	(12,998,933)	12,002,533

Kai !Garib Local Municipality
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Analysis of property, plant and equipment as at 30 June 2016	
Cost/Revaluation	Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	192,022,992	6,630,309	(18,093)	-	-	-	198,635,208	(36,459,418)	4,868	-	(5,840,477)	-	(42,295,027)	156,340,181
Infrastructure	739,722,564	29,408,935	(1,607,154)	(7,973,274)	-	-	759,551,071	(162,043,384)	1,207,047	-	(25,065,193)	-	(185,901,530)	573,649,541
Community Assets	25,869,792	7,406,483	(346,489)	(5,652,966)	-	-	27,276,820	(6,499,207)	195,321	-	(1,043,249)	-	(7,347,135)	19,929,685
Heritage assets	5	-	-	-	-	-	5	-	-	-	-	-	-	5
Other assets	31,876,846	801,305	(7,676,685)	-	-	-	25,001,466	(12,317,873)	3,105,555	-	(3,786,615)	-	(12,998,933)	12,002,533
	989,492,199	44,247,032	(9,648,421)	(13,626,240)	-	-	1,010,464,570	(217,319,882)	4,512,791	-	(35,735,534)	-	(248,542,625)	761,921,945
Agricultural/Biological assets														
Intangible assets														
Computers - software & programming	313,598	65,393	-	-	-	-	378,991	(63,795)	-	-	-	-	(63,795)	315,196
	313,598	65,393	-	-	-	-	378,991	(63,795)	-	-	-	-	(63,795)	315,196
Investment properties														
Investment property	1,300,000	-	-	-	-	117,000	1,417,000	-	-	-	-	-	-	1,417,000
	1,300,000	-	-	-	-	117,000	1,417,000	-	-	-	-	-	-	1,417,000
Total														
Land and buildings	192,022,992	6,630,309	(18,093)	-	-	-	198,635,208	(36,459,418)	4,868	-	(5,840,477)	-	(42,295,027)	156,340,181
Infrastructure	739,722,564	29,408,935	(1,607,154)	(7,973,274)	-	-	759,551,071	(162,043,384)	1,207,047	-	(25,065,193)	-	(185,901,530)	573,649,541
Community Assets	25,869,792	7,406,483	(346,489)	(5,652,966)	-	-	27,276,820	(6,499,207)	195,321	-	(1,043,249)	-	(7,347,135)	19,929,685
Heritage assets	5	-	-	-	-	-	5	-	-	-	-	-	-	5
Other assets	31,876,846	801,305	(7,676,685)	-	-	-	25,001,466	(12,317,873)	3,105,555	-	(3,786,615)	-	(12,998,933)	12,002,533
Intangible assets	313,598	65,393	-	-	-	-	378,991	(63,795)	-	-	-	-	(63,795)	315,196
Investment properties	1,300,000	-	-	-	-	117,000	1,417,000	-	-	-	-	-	-	1,417,000
	991,105,797	44,312,425	(9,648,421)	(13,626,240)	-	117,000	1,012,260,561	(217,383,677)	4,512,791	-	(35,735,534)	-	(248,606,420)	763,654,141

Appendix G1
Budgeted Financial Performance (revenue and expenditure by standard classification)
for the year ended 30 June 2017

	2017/2016								2016/2015						
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget Rand	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue - Standard															
Governance and administration	95,612,345	89,793,651	185,405,996	-		185,405,996	93,836,910		(91,569,086)	51 %	98 %				79,126,217
Executive and council	3,852,000	3,852,000	7,704,000	-		7,704,000	3,852,000		(3,852,000)	50 %	100 %				10
Budget and treasury office	91,760,345	85,844,230	177,604,575	-		177,604,575	89,887,489		(87,717,086)	51 %	98 %				79,126,207
Corporate services	-	97,421	97,421	-		97,421	97,421		-	100 %	DIV/0 %				-
Community and public safety	826,450	878,822	1,705,272	-		1,705,272	3,546,678		1,841,406	208 %	429 %				3,284,017
Community and social services	824,250	822,852	1,647,102	-		1,647,102	3,480,541		1,833,439	211 %	422 %				3,282,918
Sport and recreation	2,200	55,970	58,170	-		58,170	66,137		7,967	114 %	3,006 %				1,099
Public safety	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Housing	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Health	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Economic and environmental services	21,397,000	21,398,184	42,795,184	-		42,795,184	24,305,280		(18,489,904)	57 %	114 %				19,548,788
Planning and development	21,397,000	21,395,000	42,792,000	-		42,792,000	24,305,503		(18,486,497)	57 %	114 %				19,548,788
Road transport	-	3,184	3,184	-		3,184	(223)		(3,407)	(7) %	DIV/0 %				-
Environmental protection	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Trading services	85,078,005	95,790,507	180,868,512	-		180,868,512	108,687,872		(72,180,640)	60 %	128 %				98,829,006
Electricity	65,932,587	66,064,125	131,996,712	-		131,996,712	77,473,849		(54,522,863)	59 %	118 %				71,124,963
Water	6,795,298	14,067,216	20,862,514	-		20,862,514	15,465,263		(5,397,251)	74 %	228 %				14,092,713
Waste water management	6,885,000	9,171,921	16,056,921	-		16,056,921	9,127,848		(6,929,073)	57 %	133 %				7,993,740
Waste management	5,465,120	6,487,245	11,952,365	-		11,952,365	6,620,912		(5,331,453)	55 %	121 %				5,617,590
Other	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Other	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Total Revenue - Standard	202,913,800	207,861,164	410,774,964	-		410,774,964	230,376,740		(180,398,224)	56 %	114 %				200,788,028

Appendix G1
Budgeted Financial Performance (revenue and expenditure by standard classification)
for the year ended 30 June 2017

	2017/2016								2016/2015						
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget Rand	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand		Rand	Rand	Rand	Rand	Rand	Rand
Expenditure - Standard															
Governance and administration	60,051,816	70,273,916	130,325,732	-	-	130,325,732	145,363,008	-	15,037,276	112 %	242 %	-	-	-	105,864,397
Executive and council	15,981,440	16,383,537	32,364,977	-	-	32,364,977	18,349,709	-	(14,015,268)	57 %	115 %	-	-	-	16,569,412
Budget and treasury office	24,504,084	34,843,560	59,347,644	-	-	59,347,644	109,176,328	-	49,828,684	184 %	446 %	-	-	-	71,747,397
Corporate services	19,566,292	19,046,819	38,613,111	-	-	38,613,111	17,836,971	-	(20,776,140)	46 %	91 %	-	-	-	17,547,588
Community and public safety	16,096,024	16,088,614	32,184,638	-	-	32,184,638	16,489,836	-	(15,694,802)	51 %	102 %	-	-	-	16,716,986
Community and social services	13,688,776	14,263,782	27,952,558	-	-	27,952,558	14,699,389	-	(13,253,169)	53 %	107 %	-	-	-	14,578,027
Sport and recreation	1,777,828	1,700,097	3,477,925	-	-	3,477,925	1,653,326	-	(1,824,599)	48 %	93 %	-	-	-	1,728,971
Public safety	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Health	629,420	124,735	754,155	-	-	754,155	137,121	-	(617,034)	18 %	22 %	-	-	-	409,988
Economic and environmental services	19,573,520	18,274,401	37,847,921	-	-	37,847,921	18,246,271	-	(19,601,650)	48 %	93 %	-	-	-	17,553,890
Planning and development	10,117,964	9,439,136	19,557,100	-	-	19,557,100	8,254,448	-	(11,302,652)	42 %	82 %	-	-	-	8,297,401
Road transport	9,455,556	8,835,265	18,290,821	-	-	18,290,821	9,991,823	-	(8,298,998)	55 %	106 %	-	-	-	9,256,489
Environmental protection	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Trading services	98,816,644	95,860,167	194,676,811	-	-	194,676,811	123,572,147	-	(71,104,664)	63 %	125 %	-	-	-	109,146,311
Electricity	63,603,094	60,519,949	124,123,043	-	-	124,123,043	67,408,078	-	(56,714,965)	54 %	106 %	-	-	-	62,563,774
Water	18,720,086	19,389,590	38,109,676	-	-	38,109,676	30,730,042	-	(7,379,634)	81 %	164 %	-	-	-	24,258,868
Waste water management	6,596,640	5,693,496	12,290,136	-	-	12,290,136	8,566,667	-	(3,723,469)	70 %	130 %	-	-	-	8,306,741
Waste management	9,896,824	10,257,132	20,153,956	-	-	20,153,956	16,867,360	-	(3,286,596)	84 %	170 %	-	-	-	14,016,928
Other	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Total Expenditure - Standard	194,538,004	200,497,098	395,035,102	-	-	395,035,102	303,671,262	-	(91,363,840)	77 %	156 %	-	-	-	249,281,584
Surplus/(Deficit) for the year	8,375,796	7,364,066	15,739,862	-		15,739,862	(73,294,522)		(89,034,384)	(466)%	(875)%				(48,493,556)

Kai !Garib Local Municipality
Appendix G2
Budgeted Financial Performance (revenue and expenditure by municipal vote)
for the year ended 30 June 2017

	2016/17							2015/16							
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue by Vote															
Executive and Council	3,852,000	-	3,852,000	-		3,852,000	-		(3,852,000)	- %	- %				-
Budget and Treasury	91,760,345	(5,916,114)	85,844,231	-		85,844,231	-		(85,844,231)	- %	- %				-
Corporate Services	-	97,421	97,421	-		97,421	-		(97,421)	- %	DIV/0 %				-
Community and Social Services	675,950	(88)	675,862	-		675,862	-		(675,862)	- %	- %				-
Technical and Engineering Services	85,228,505	10,768,146	95,996,651	-		95,996,651	-		(95,996,651)	- %	- %				-
Planning and Development	21,397,000	(2,000)	21,395,000	-		21,395,000	-		(21,395,000)	- %	- %				-
Total Revenue by Vote	202,913,800	4,947,365	207,861,165	-		207,861,165	-		(207,861,165)	- %	- %				-
Expenditure by Vote to be appropriated															
Executive and Council	15,981,440	402,097	16,383,537	-	-	16,383,537	-	-	(16,383,537)	- %	- %	-	-	-	-
Budget and Treasury	24,504,084	10,339,476	34,843,560	-	-	34,843,560	-	-	(34,843,560)	- %	- %	-	-	-	-
Corporate Services	19,566,292	(519,473)	19,046,819	-	-	19,046,819	-	-	(19,046,819)	- %	- %	-	-	-	-
Community and Social Services	4,916,900	(92,952)	4,823,948	-	-	4,823,948	-	-	(4,823,948)	- %	- %	-	-	-	-
Technical and Engineering Services	119,451,324	(3,491,226)	115,960,098	-	-	115,960,098	-	-	(115,960,098)	- %	- %	-	-	-	-
Planning and Development	10,117,964	(678,828)	9,439,136	-	-	9,439,136	-	-	(9,439,136)	- %	- %	-	-	-	-
Total Expenditure by Vote	194,538,004	5,959,094	200,497,098	-	-	200,497,098	-	-	(200,497,098)	- %	- %	-	-	-	-
Surplus/(Deficit) for the year	8,375,796	(1,011,729)	7,364,067	-		7,364,067	-		(7,364,067)	- %	- %				-